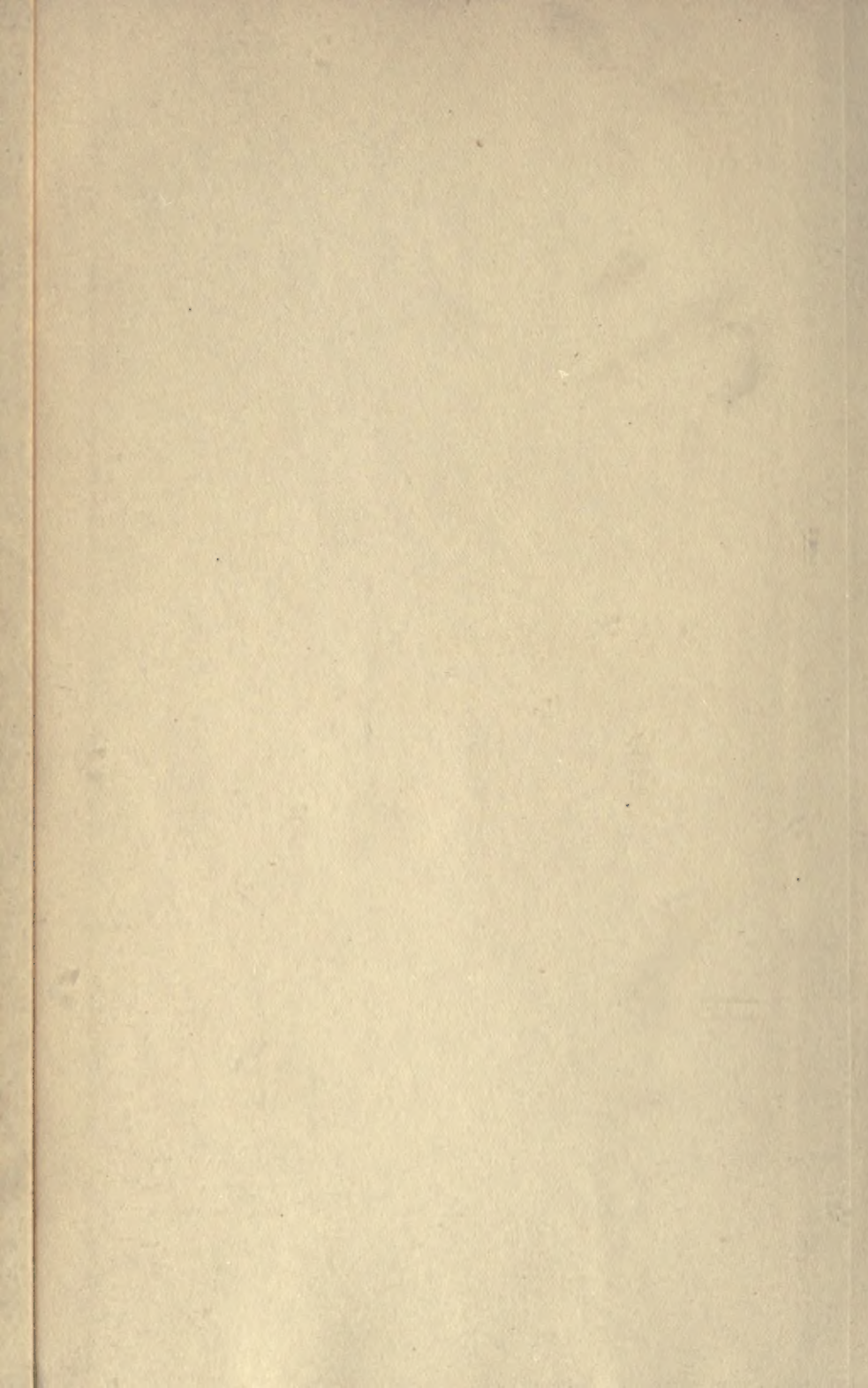


INDUSTRIAL ECONOMY

ROBERT WALSH



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THE PRINCIPLES OF INDUSTRIAL ECONOMY

ILLUSTRATED BY

AN ENQUIRY INTO THE COMPARATIVE
BENEFITS CONFERRED ON THE STATE
AND ON THE COMMUNITY

BY

FREE TRADE AND FAIR TRADE OR
MODERATE PROTECTION

*Including Introductory Chapters on The Principles,
Practice, and Influence of Liberty on Industrial
Enterprises*

AND

AN APPENDIX CONTAINING ANALYSED TABLES
OF PRODUCTION AND REDISTRIBUTION

BY

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LONDON:

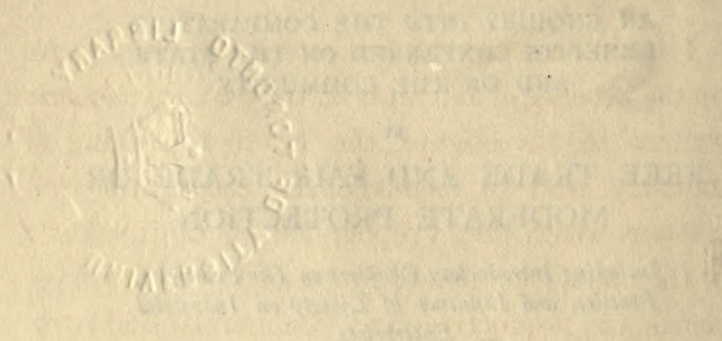
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THE PRINCIPLES OF INDUSTRIAL ECONOMY



ROBERT WALSH

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E.C. 4.

PREFACE

I HAVE been forcibly impressed for many years by the absence of attempts on the part of economic writers to investigate the internal working of industry, and to reconcile the theoretical conclusions which they propounded for the guidance of the population and of Statesmen with the experience of productive and commercial industry. Recognising that such confirmation is necessary if theory is to be relied on, I have applied the knowledge of the internal working of production and commerce, acquired by many years of practical and professional experience in various industries, to investigate this question. The collection, calculation and arrangement of statistics founded on industrial experience with this object has entailed an enormous amount of time snatched from the leisure hours of a busy life and considerable expense. A desire to discover the best means of prosperity for citizens has sustained me in the effort, and I confidently submit the following work and Tables of production and distribution for the elucidation of this important

subject, conscious of its many imperfections, but in the hope that it will be found instructive and useful in suggesting new methods of enquiry.

Any person who desires to study Economic Science from the standpoint of experience in industry, and to test the correctness of economic theories, or who wishes to grasp the economic effects of the British Commercial System on the population, will find in this book much useful information presented in a new and comprehensive manner.

ROBERT WALSH.

BELFAST,

1st October, 1912.

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INTRODUCTION

1. A GREAT deal has been spoken and written concerning the reform of the British Free Trade System, but much of what has been stated consists of the assertion of facts from which different conclusions may be drawn as the dark shadow of prejudice or the light of experience in productive industry is reflected on them.

Some of these facts have been critically examined in the light of this experience and reasons have been adduced which show that many of the conclusions usually drawn are inconsistent with the experience of British industry. These reasons are given in the following pages and will, it is believed, be found in conformity with the foundation principles on which all industry and prosperity depend.

2. As industry is the life-work of the majority of the people and the wages and profits of industry the support of all, this enquiry will necessarily investigate the relationship of the capital, skill and labour required for its successful pursuit.

3. The necessity to sell the finished productions at such prices as will attract and secure the mutual co-operation of these agencies and maintain the continuation of industry will also be enquired into.

4. Of the national productions, not less than 78 per cent. (paragraph 325) is used by the

citizens themselves. The effects produced by the remuneration given to capital, skill and labour respectively in fixing prices for 78 per cent. for home consumption, and 14 per cent. for sale to or exchange with foreign countries in competition with other nations producing under different conditions, are, therefore, elements which cannot be omitted in any enquiry as to what is best for the various classes of citizens.

5. For the purpose of investigating these questions it has been found desirable to commence with the most elementary principles of industry, of occupation and of service ; and in order to show the relationship which capital, skill and labour bear to each other and to the finished productions in the experience of British industry the expenditure incurred in the production and sale of the goods we use, or make for the use of others, including the redistribution of the expenditure incurred in them has been analysed and classified.

6. By this process of enquiry it will be seen that some of the most cherished and captivating arguments which have enticed a large proportion of the population of the United Kingdom to support Free Trade are delusive and misleading, because the effect of buying cheaply aimed at by this system is the reverse of what is attributed to it by popular Free Trade sophistries.

7. If any person possesses a property, business, talent or occupation, he will best fulfil his duty to himself and to the community among whom he dwells by using or employing it to produce

the utmost of which it is capable, instead of using it in a subordinate or inferior manner, or allowing it on the *laissez faire* principle to go to waste or remain idle.

8. And if the citizens cannot produce the utmost themselves, as the next best thing it is more profitable to import labour to do it within the State than to import the finished produce of foreign labour; for under the former circumstances the redistribution of the earnings of the imported labour will represent a large increase of extra employment and wealth within the State.

9. It will thus be seen that if every citizen acts on the principle of producing the greatest possible yield from his occupation or business instead of doing as little as possible to-day in order to have something to do to-morrow, as many citizens now do, the increased productions obtained from the property, business or occupation of the citizens will represent an enormous addition to the industry, employment and wealth produced by the population within the taxable area of the State.

It thus becomes the duty of the State to provide facilities for the exercise of this principle by the citizens.

Should the business or occupation, however, be injurious to the well-being of the community, and should the development of it intensify the injury, it is evident that the State should intervene, as it now does in many instances, to protect the citizens from such development, but if the business be carried on by licence or sanction

from the State, and should capital have been expended on the strength of custom or of this licence, the owners of the business interfered with should be compensated by the persons who have been benefited through interference with its progress or development.

10. If the principles enunciated in this and the following chapters be carried out in conducting the nation's industries, there will not be anything in the United Kingdom to prevent the lowest citizen from raising himself by courage, personal effort and application to duty, to the highest position in the land, as many citizens have already done ; provided he possesses health, a sound constitution, ambition for advancement, and provided he will free himself from the shackles of his environment. For such advancement it is claimed opportunity and facilities should be provided by the State. Enquiry will, therefore, be made into the reasons why many have not achieved success.

For the successful exercise of these principles it is necessary that equal treatment for citizens should be provided and enforced by the State as the representative of all classes of the people. Some introductory chapters have accordingly been written on the principles, practice, and influence of liberty on industrial enterprises and on economy in the management of the State.

CHAPTER I

INTRODUCTORY OBSERVATIONS ON THE EXISTING CONDITIONS OF SOCIETY AS AFFECTING INDUSTRY AND PROSPERITY.

11. An enquiry into the comparative benefits conferred on the State and on the industrial population by the commercial systems known as " Free Trade " and, " Protection " more properly designated " Fair Trade," will be facilitated by a preliminary consideration of the principles of equity which would be observed in the transactions of individuals with each other in a perfect condition of Society, with equal rights universally conceded and enforced.

12. In civilised communities the people subsist on the earnings of industry, either in the form of wages for services, remuneration for skill, or interest on income not spent in personal support but saved and invested as capital. A consideration of the functions which these perform, the services which they render, and the relative proportions in which they enter into industrial enterprises, will therefore form a necessary part of this enquiry.

13. If all who take part in industry were perfect and unselfish, the transactions between individuals, and the distribution of the value of their respective contributions to the completed productions, might

be automatically and equitably adjusted. But, as human nature is constituted, the individuals of the community disclose selfishness in varying degrees, attempt domination, and develop "diversities of gifts" which make them unequal in genius, intelligence, capacity and application. As a result, the capable and hard-working are generally successful, and they naturally object to share the rewards of their industry with the lazy and thriftless.

14. It is, therefore, a matter of vital importance in the interest of liberty and prosperity, to decide whether or not the majority who elect representatives to the legislature, should have uncontrolled power to manage the affairs of the State, when a large proportion of the individuals who compose it are either habitually unthriftly, or deficient in knowledge and experience, and unfit to successfully manage concerns of their own, and are also unable to think either nationally or imperially. It is of equal importance in the interest of successful industry to decide whether or not such a majority should be entrusted with uncontrolled power to appropriate for their own class, by doles or otherwise, the earnings, or the capital, which is the accumulated earnings of the thrifty, against the will of the latter, for that is what modern Socialistic legislation aims at accomplishing.

15. Under the influence of the potential forces which mould their destinies, if it were possible to start men on an equality to-day, their individual personalities would make them unequal to-morrow; and to make them equal by legislative compulsion or by the arbitrary decisions of trade combinations

effected by strikes, would be an outrage on their liberty and individual rights.

16. Success is a product of capacity, which is developed by education and opportunity, and facilities for these should be made available to the citizens, who claim and are entitled to equal treatment from the State.

17. Equal treatment must not, however, be confused with equality of position, which many now demand, because success, which is open to all, but which all do not attain, is the reward of education, health, natural genius, and persevering application; and these are not equally possessed by the individuals who make up the community.

18. Under existing conditions, statesmen and economists have, therefore, the responsibility of reconciling and adjusting hostile interests, but they are unable and have failed so far to agree upon any principle of action, or upon any method properly designed to secure equal justice, with equal treatment and opportunity.

19. If we enquire into the methods adopted by the British Legislature to adjust the rights and liberties of citizens, and to secure to them the protection for which the State exists, or if we judge the methods by the results achieved, we must declare them deficient in conception and devoid of principle.

20. Under existing conditions the State controls the productive and commercial transactions from which the citizens obtain their livelihood, by a fiscal system, which deprives the industrial citizens of much of the employment they might

have in order that they may purchase the necessities they require below their natural cost of production by home labour within the taxable area of the State.

21. The injustice and imperfections of this system are continually disclosed by the Legislature being obliged to enact as necessity requires patch-work legislation of a protective nature. This legislation is inconsistent with the principle on which Free Trade claims to operate, and is required to bolster up the system and to remedy the inequalities of want and poverty which exist under, and are largely produced by, it.

22. As political power is now vested, the condition and privileges of the people are in the keeping of irresponsible citizens who fail to foresee the economic effects of their political actions, and to appreciate the object for which the State exists.

23. Those of them who wield the largest share of power, aim at extracting from the State legislative enactments which give them preferential benefits over the rest of the community instead of using their best endeavours to uphold and support the State as the protector of the rights and liberties of all citizens alike.

24. The possession of power to assess and to apply the produce of taxes without the responsibility, or out of proportion to the responsibility to pay them, is a glaring injustice, and is equivalent to taxation without equitable representation. The opportunity to assess taxes and to apply them in this manner has been provided and is a direct

incentive to appropriation without compensation by the covetous. This is a dangerous temptation to citizens who are poor, and constitutes a liberty and authority for dealing with other people's property and savings, which the people who sanctioned it would not individually give to others in dealing with their own personal property or possessions.

25. But a greater injustice has been perpetrated by the British Legislature in the denial of a direct or effective influence, either in the assessment or application of taxes, to some of the largest contributors. These have been deprived of their vote on financial matters without being relieved of the obligation to pay taxes. Such procedure is not in conformity with the principles of justice, and appears to be founded on the belief that might is right, or that capitalists and the promoters of industry are extortioners who ought to be deprived of what is believed to be improper gain.

26. The effect of this enactment is to produce instability, uncertainty and unrest, which prevent the investment and expenditure of capital in productive enterprises within the sphere of its influence.

27. When trade is subject to unstable conditions, either through extreme competition, industrial warfare, or excessive taxation, the losses which the promoters of industry sustain in lean periods have to be made good in prosperous ones, and the prosperous periods made reasonably continuous or the business will be abandoned, for no industry can be continued for a long period under unprofitable conditions.

28. When trade is discontinued the industrial

population are the greatest sufferers, because the wages for services, as will be shown from the Tables A to G in Appendix, form the largest item of home expenditure in the cost of the production and distribution of goods.

29. The maintenance of conditions which make trade prosperous and the payment of wages possible and continuous is therefore of extreme importance to the industrial classes. But trade cannot be continuous without such a steady demand for the finished products as will result in the sale of them at remunerative prices. Without such conditions wages must be reduced and employment will be either spasmodic or discontinued entirely. To hold the goods for long periods in order to obtain better prices would require increased capital, but Socialists, who profess to be benefactors of the people, proclaim war upon capital which is called upon to perform this useful function in addition to the many other uses for which it is indispensable. Wage earners naturally complain of low wages, but though the power to remedy the injustice is vested in them they appear to be unable to comprehend the nature and operations of industry. As a result they have failed to take any effective action to remedy the injustice, because they cannot see further than the receipt of wages in a complicated business in which the payment of productive wages does not take them half through the complete process of industry.

The only attempt made by them to remedy existing conditions has been to wage war upon

• their immediate employers by demanding increased wages from these promoters of industry. Although the tariff duties levied by foreign countries on the imports of British productions amount to from five to ten times the whole of the profits of the British producer, they will not look for relief in that direction.

Wage earners have been led to act in this manner because they believe the sophistries, and follow the advice of envious and inexperienced agitators who have taught them that because some men are rich all employers are extortioners, against whom perpetual conflict should be carried on.

The demand necessary to induce sales and to restore the equilibrium in prices and wages could be procured if British statesmen acted fairly by their own countrymen, but they will not allow them to have any privilege in their own country over the citizens of other states who make no contribution to British revenue ; nor will they exercise the power they possess to procure for British citizens in foreign countries in return for the taxes they pay equal privileges to what they give because the statesmen who act thus fail to comprehend the operations of trade and the benefits conferred on the home population by profitable productive industry.

30. It is well known that the economic questions which are enquired into in the following chapters are viewed from different standpoints by the various classes of the community, not in respect to their fairness or moral right, but as they are likely to affect the personal or class

interests of those who view them, and seldom as they affect the nation or its citizens as a whole.

31. The people in whom the control of the affairs of State is vested are often bewildered with the diversity of views expressed by politicians, and while some ask "How may we exercise the power we possess to produce the greatest benefit of the greatest number?" many others desire to know how they may exercise it so as to accomplish their own aggrandisement at the expense of those who fail to fight as forcibly and as relentlessly as they do for this end. Some authority to hold the scales fairly between the classes is therefore essential for the proper management of the State.

32. The questions which the electorate is called upon to decide are often so complex that the people are incapable of judging them on their merits. Frequently the citizens are too careless or indifferent to reason out the effects of their political actions, except such as appear on the surface to be either injurious or beneficial to themselves.

33. To save themselves the trouble of studying these questions many of them follow political leaders who profess to have superior acquirements or facilities to understand the subjects which perplex them. These leaders usually declare their views with such force and apparent conviction that they are presumed to have made themselves masters of the abstruse questions on which they offer their advice. Their views are therefore readily adopted, especially when they profess to promote the individual or class interests of the persons whose support they seek.

34. The power to make laws and to administer them is, moreover, obtained by an extravagant use of the arts of persuasion, mystification and, occasionally, by misrepresentation and deception. Frequently only part of the truth is disclosed and matters of vital importance to the issues involved and essential to the formation of correct opinions, are concealed.

35. The result of this procedure is to confuse the electors and obscure their judgment. The body politic thus discloses all the objectionable qualities of the individuals who compose it, and the Legislature chosen by it reflects in a very imperfect manner the real views or opinions of the electors.

36. An effective power of revision and amendment or the right of minorities to appeal to the people as the supreme authority on any important question of legislation on which they have not been consulted thus becomes an absolute necessity in the interest of equal justice.

37. Furthermore, in the appointment of ministers by political parties, it happens occasionally that men are placed in charge of affairs of State who have no practical experience of the business carried on by citizens. The legislative measures originated by them frequently injure the industrial enterprises which the people they profess to benefit have to rely on for their personal support.

38. These statesmen, not being acquainted with the intricate details, changing conditions and difficulties experienced in production and commerce, seem to think that the subdivision of the

wealth that already exists and the compulsory withdrawal of it from productive enterprises will improve the condition of the people, and prove a better remedy for distress than the creation of additional employment by increased industry under profitable conditions.

39. Their highest conception of improving the position of the industrial population would appear to consist in taking by compulsory legislation from one class which provides employment and using what they thus take in relief of the personal expenditure of the population. This is done without considering the justice of the transfer, the equity of the incidence, or the capacity of the industrial concerns affected to bear the increased burden.

40. In giving effect to these views they are acting contrary to the freedom for trade which they profess to further, and they fail to perceive that the creation of wealth by the process of industry and the employment which it gives cannot be continued and must speedily come to an end under unprofitable conditions. For if the cost of production be increased by wages and other charges which raise it above the usual selling prices, the continuation of the industry and employment requires an increase in the price received for the goods sold, which the Free Trade system is designed to prevent.

41. The people support these methods on the apparent but false assumption that the rich will have to pay. This transfer of the burden is only apparent, or, if in any sense real, is only

transitory, for when the employment of capital invested in Property or Machinery becomes unprofitable it not only ceases to provide the means to pay increased burdens but becomes a burden to itself by necessitating a continual outlay out of impoverished resources to repair it and to preserve it from decay.

42. The rich cannot therefore go on distributing capital which has been already expended in productive industry, or income which by this means would be cut off, without replenishing its resources, and which this treatment is designed to prevent. When this happens the burden is again transferred to the people who were supposed to be benefited, and they have to meet prices increased by their own demands with diminished resources as the outcome of political sophistry.

CHAPTER II

INDUSTRIAL DISTURBANCE PRODUCED BY IMAGINARY GRIEVANCES INTERFERES WITH PRODUCTION AND COMMERCE, IS AN INFRINGEMENT OF THE LIBERTY AND RIGHTS OF THE CITIZENS, AND A FRUITFUL SOURCE OF UNEMPLOYMENT AND POVERTY.

43. The social condition of the population is determined by the prosperity of its industries, and this prosperity is produced by the various agencies engaged in it. The largest of these is the labour of the population.

44. In the apportionment of the rewards of labour and skill great diversity of opinion exists, and as a result most of the disputes which occur in industry are in respect of the remuneration for services and the conditions of service. An investigation of how these comply with the principles of equal justice is therefore a necessary part of any enquiry into economic conditions which produce unemployment and poverty.

44A. In censuring the methods adopted by trade organisations when they resort to strikes and picketing with the object of improving the condition of the industrial classes, I desire to state that the criticisms contained in this chapter are not made in any hostile spirit to those classes, for whom I entertain the most profound sympathy,

with the earnest desire to see their position improved.

It will be seen that this is the main purport of the reasoning adopted throughout the following pages, because I am persuaded that the modern methods employed to obtain increased remuneration for services and the necessary conditions of adequate subsistence while laudable in aim are carried out by wrong, wasteful, unjustifiable, and unnecessarily cruel methods. In every case where a strike is resorted to by tradesmen of any kind a large proportion of the people affected are people of like passions with themselves but with far smaller resources for personal support. Many of these have their means of subsistence cut off through no fault of their own and without any hope of benefit from the strikes, and are also the purchasers of a large proportion of the productions which those who strike attempt to raise the price of by demanding increased remuneration or altered conditions which will increase the cost of the goods.

45. The promoters of industry who employ labour extensively are often abused without adequate enquiry, in the belief that those who own capital extensively obtain it unjustly by the oppression of their neighbours, their tenants, or their employees. In this belief people who have the ambition to enjoy the comforts which wealth provides, without possessing the genius or patient labour essential to its attainment, look with covetous eyes on the wealth which the rich possess and demand its more equal division.

46. They thus claim for inferior services which they grudgingly render, or without consideration of any kind, comforts which others who enjoy them obtain by the exercise of self-denial and by persevering effort, comforts, moreover, which these claimants might also obtain by the patient and persistent exercise of similar qualities.

47. Those who make these claims appear to be incapable of understanding or unwilling to admit the justice which rewards genius and enterprise. They fail also to perceive that these qualities must cease to be used where this recognition is denied, or where the ownership of what is earned by the exercise of them can be successfully disputed. Covetous people who demand the distribution of the rewards of industry among themselves deny the right of the owners of capital who bear the risk and finance it, and the right of the genius which invents, directs and manages it, to retain their equitable shares.

48. Such people further fail to perceive that men are successful, not because they are unjust or oppressive, but because they manage to procure the agreed value in the services they pay for by the prevention of carelessness or malingering, and are able to overcome risks by the persistent application of genius and sound judgment to their business concerns which others who are engaged in similar enterprises fail to do and are therefore unsuccessful. Evidence of this may be procured by comparing the earnings obtained from the quantity of work done by the day and by the piece or quantity in a similar period of time.

This is a human weakness to which individuals among all classes are liable, and it is the existence of it which calls for the appointment of overseers or taskmasters.

49. In order to accumulate wealth those who acquire it spend less on their personal support than they earn, and invest what they save productively, either at home where it will yield a moderate rate of profit for themselves and give employment to their neighbours, or, if the conditions of investment at home be hazardous they may invest it abroad where it will earn profit for themselves, but deprive their fellow citizens of the occupation which it would have provided had the fiscal and industrial regulations been conducive to its safe and profitable investment in their own country.

50. These complainants make a serious mistake in imagining that the capital employed in industry belongs to a small number of large capitalists. The great bulk of it really belongs to a large number of small capitalists. There has been an extensive distribution of capital and an enormous transformation among the proprietors and promoters of industry during the past fifty years. This has been largely brought about by the Acts providing for the incorporation of companies with limited liability and for the establishment of savings banks, and friendly and co-operative societies, all of which have proved immense incentives to the thrift and enterprise of the citizens.

51. By these Acts any citizen without distinction who saves any sum of money from one shilling up to an unlimited amount can become a

partner in almost any of the great leading industries and in many of the minor industries of this country. If he has sufficient initiative and experience he may commence business for himself without restriction of any kind beyond what all other citizens are subject to, provided he has accumulated capital by saving a portion of his income, or, if he has not done so but has acquired experience and a character which can be relied on, he may do it by borrowing the savings of others. The people have moreover taken advantage of the facilities afforded by these Acts to an extent not dreamt of by the unsuccessful who are dissatisfied.

52. In illustration of this statement we find a banking company with £500,000 paid up capital owned by 3,060 shareholders, and an industrial concern with £50,000 capital owned by 410 shareholders, the shares being held in both cases and procurable in the open market by all grades of society without distinction. The table 53A opposite will further illustrate the wide distribution of capital owned by the industrial classes.

53. The people who own this capital are promoters of industry and benefactors of their fellow-citizens when they thus employ it in earning dividends for themselves and at the same time in providing occupation for the population. The abuse inflicted upon them is therefore the jealous utterings of the lazy, uninformed and thriftless, who are either unwilling to work or who spend what they earn on personal indulgence instead of denying themselves for the purpose of saving a portion of their earnings by which they

might make themselves partners in the industries of the country.

53A. Post-office savings banks with 9,673,717 depositors owning an average of £15 6s. 8d. each, and a total of	£ 148,339,354
Trustee savings banks in 1910 with 1,827,460 depositors owning an aver- age of £28 12s. 0d. each, total ..	52,267,805
2,014 Building societies	52,852,148
61 Incorporated societies	15,296,449
2,185 Industrial and provident societies, 2,195,400 members trading with capital of	28,254,716
36,616 Joint stock companies, where shares are largely held by the middle class and the industrial population	1,954,337,135
1,614 Co-operative Union societies 2,254,479 members	29,042,020
Railways owned by shareholders of all grades of society	950,000,000
Life and industrial insurance societies .	252,252,813
Total employed in industry or lent out for expenditure to town councils, boards of guardians, etc., irrespective of the capital owned by the enormous number of people engaged in private enterprises of their own	£3,482,642,440

53B. It is true that a most essential condition for the accumulation of savings is the sufficiency of wages. It is equally true that there is a large section of industrial wage earners in the United Kingdom in the receipt of incomes much larger than the incomes of many of the middle classes, and that for want of thrift, many of them carelessly waste their resources instead of saving them. Increased wages cannot be obtained in

industrial occupations except those who have saved part of their earnings and invested them in trade by employing others can earn a reasonable profit for themselves after paying the wages demanded.

54. The nature of the business carried on by the employment of capital and the distribution of expenditure incurred in providing occupation for the citizens is explained and illustrated in the tables of production and redistribution A to G in the Appendix. When capital is expended in such industrial enterprises it must be controlled and directed by genius. Good management is sufficient to secure success in one concern, while incapacity in management will produce failure in another, even when both concerns employ similar labour.

55. It cannot, therefore, be reasonably contended that labour is entitled to all the product of industry, or that those who invent and direct the transactions, or who own the capital which finances it, should be deprived of a reasonable share. But great difficulty is experienced in apportioning to capital, genius and labour their equitable shares, because every person is inclined to exaggerate or over-value what he contributes. This human trait applies equally to both employer and employed.

56. It, therefore, becomes a necessity for every person in pursuance of the law of self-preservation to protect himself, and for the purpose of enabling him to do so effectually he has a right to combine with others for this purpose. Hence arises the necessity for trade unions and combinations of employers. The exercise of protective functions

by them cannot, however, be safely permitted without control by the State, because by abuse of liberty they infringe the rights of other citizens.

56A. If business were conducted in conformity with the dreams of Socialism or Syndicalism, genius and enterprise would still have to be employed and paid for, in order to direct and supervise it, as they now are in private concerns and in co-operative undertakings, or business would speedily drift into wasteful extravagance and end in failure.

Nor could it be conducted without the capital now necessary to finance it, because the property occupied, machinery used, stock held, and debts due by parties who purchase on credit, represent capital employed in trade, which would still be required to conduct it.

56B. The Socialistic schemes, therefore, require the continuance of the existing conditions complained of, except that the capital required to finance them might belong to a larger number of people, and this privilege of investing capital in commercial and productive enterprises is now available without any social revolution.

56C. To obtain the benefit of this privilege, those who are employed have only to save and invest part of their earnings in such enterprises as co-operative undertakings or shares in private or limited companies and run the risk, which other investors now bear.

56D. To divide the earnings of such enterprises among the people employed in them would be unreasonable, because a large number of people not

so employed, who invested their savings as capital, would expect to be paid interest for the use of it and for the risk they run of its never being repaid at all, but lost in trading. It is quite true the people employed might obtain part of the profit by way of bonus, but this is now procurable if it be agreed to take part of the remuneration in wages and part in bonus.

Thus again trading after the imaginary revolution of Socialism simply amounts to carrying on industry by the employment of others and by the use of capital as is now done.

56E. Nor is there much likelihood that under the new conditions business would be more economically conducted, for the theory on which the threatened revolution claims to benefit the community is that wages should be higher, or the earnings greater, than they now are.

As a result, the expense of conducting it would be increased and the profits diminished, except, that if business were done on a larger scale, or more economically conducted by avoidance of wasteful disputes, the cost of conducting it would be diminished, but this would not reflect any credit on Socialistic trading, because that principle holds good under existing conditions.

56F. If those who conducted business under these conditions attempted to procure a higher price for the goods they sold, the bulk of this increase would fall upon the same or upon a wider circle of citizens than those in receipt of profits or bonus, because approximately 78 per cent. of our total productions are used by the home popu-

lation and the demand for portion of the remaining 22 per cent. (of which we now exchange 14 per cent. with foreign nations and retain 8 per cent. for home use) would probably cease because of our inability to sell the goods in competition with other nations. The true remedy for the existing conditions complained of, therefore, seems to consist in the economic production by the prevention of waste in the production, distribution, and transit of the goods we use or make for the use of others, and in the competence of the home Government to procure for the citizens the same equitable conditions for the exchange of their productions with other nations which they grant to those nations in the United Kingdom.

This will be seen from the investigation and comments on the actual conditions of industry which are illustrated and explained in the following chapters.

57. In the organisation and control of their businesses, the employers of labour have many contingencies to provide for, and they know, often by bitter experience, the risks they run and the manner in which their actions are hampered by legislation, fiscal laws, trade unions, industrial organisations of various kinds, as well as by changes in the market value both of the raw material and the finished product, among which the following difficulties have to be met and surmounted :—

- (a) It often happens that for long periods the promoters of industry not only make no profit for themselves, but sustain heavy losses through industrial warfare, depression in trade, and competition. It is, therefore,

reasonable that they should be able to recoup these losses and pay arrears of dividends or interest on capital employed when prosperous times recur.

- (b) Employers are frequently prevented from recouping past losses by trade unions who, as soon as improved conditions return, demand increased wages. In doing so trade unionists ignore the benefits conferred on them by employers, who keep their concerns going, and who often pay full wages during long periods of depression without making any profit for themselves. During these periods stocks accumulate and temporary loans are required to hold them and to pay interest, wages, insurance and other charges. The extra expenses thus incurred increase the cost of the goods which have often to be sold at a loss. These combined conditions reduce the average earning of capital to a moderate rate of interest on the amount invested in industry, and frequently produce such loss as necessitates its complete stoppage, whereas the prevention of this waste might have produced profits and would have enabled producers to pay higher wages. Industrial economy, therefore, requires peaceful conditions for the pursuit of industry.
- (c) If employers fail to keep their concerns going, their businesses become disorganised, their trained employees disperse, and their customers, whom it took many years to attract, are obliged to transfer their trade to

others, with the probability of a considerable part of it never returning. It is, therefore, entirely against their interest to allow their business to be stopped by strikes, to prevent which they often yield more than they can afford. As the largest part of home expenditure consists of the wages of production, the heaviest part of the loss by stoppage falls of necessity upon the industrial community, who in many cases can have work but refuse to do it, and thus produce the want and poverty which they deplore by wantonly pushing their demands beyond what their employers can afford.

- (d) In numerous cases where strikes are resorted to, employers are working under contracts covering long periods of future work, at prices which cannot be improved when wages are raised. These contracts are obtained at a vast amount of trouble and expense and at prices closely cut in competition. They are, moreover, based on current prices and rates of wages, and the orders are obtained for delivery at fixed times under penalties. Where large expenditure is involved delay in completion may incur additional expenditure for interest on money locked up, which may take away all profit. Demands are frequently made under such conditions for increased wages, and have to be conceded during the currency of the contracts in order to avoid greater loss, though in some cases the loss from delay

can be transferred to the contractees but not saved or avoided.

- (e) One object of trade unions is to increase and maintain a high standard of wages. Their demands are usually made at inconvenient times, when employers must yield. The disposition to drive employers into a tight place from which they cannot escape without loss permeates all grades of work and destroys confidence and good feeling. It was recently manifested in an attempt to organise a strike of sailors and dock labourers during the Coronation of King George V., and subsequently by an attempt of Railway employees to hold up the community and paralyse trade. This was further intensified by a national Coal Strike, which aimed at the stoppage of all industry in order to compel employers to pay a fixed wage not earned by the value of the work done, and to paralyse industry in order to benefit a class.
- (f) Labour is classified by trade unions into different grades, and no one is permitted to touch or do the work of any grade except he belongs to it. If this regulation be infringed workmen throw down their tools, refuse to work, and drive other grades of labour out of employment. They further attempt to make the wages of each grade equal, irrespective of ability or worth. This regulation is a frequent source of waste, which operates against economy and in restraint of trade, and inflicts an unnecessary

loss on the community who buy 78 per cent. of the produce.

- (g) By the use of inventions in machinery and the exercise of genius in management, the promoters of industry, who introduce these, are able to earn larger profits than others not similarly circumstanced, but labour organisations attempt to counteract the saving of these inventions by attempting to have the machinery attended by more highly paid labour than is necessary. These inventions are generally introduced for the purpose of putting concerns which have been made unprofitable by compulsory advances in wages or other causes into a paying condition; but trade unions endeavour to absorb the benefit and to prevent the public, who purchase the productions, and the capitalist, who buys the machinery, from obtaining their proper share.
- (h) When certain producers earn larger profits than others in the same trade, philanthropists without business experience advocate the payment of more liberal wages by the concerns which earn them. Such men fail to see that these extra profits are the product of labour-saving appliances, which have to be purchased with money, or are the result of genius, which belongs to those who own it or have secured its services. They further fail to understand how other employers of labour would be treated under such conditions by trade unions, which seek to main-

tain equal rates of wages throughout the trade. If these well managed concerns distributed their extra earnings in wages, similar workers under trade union conditions in all the other concerns not so completely equipped or so well managed would demand similar advances which these concerns could not afford to pay. These would be driven out of trade if the better managed concerns complied with the advice of political philanthropists to pay higher wages. Under natural conditions there is a tendency to this extinction of smaller concerns, without the introduction of disparity in wages to secure monopoly for the larger ones, who might then raise prices on the public.

- (i) The attitude hitherto adopted by industrial operatives shows that, while they are willing to participate in sharing profits, they are unwilling to bear a share of the risk and loss which the promoters of industry often sustain. Equitable partnership in business however, requires that "he who shares the profit should also bear the loss."
- (j) Trade unions under a Free Trade system often demand what in the nature of things, and in the condition of their surroundings, is impossible without a reconstruction of the fiscal systems and commerce of the world, and these changes cannot be undertaken, or controlled by the particular state in which they seek to enforce a strike.
- (k) In pursuit of the objects for which they

organise, the following practices are resorted to, and seriously affect the conditions and prosperity of trade, without much permanent advantage to their members. It may be asked, could not better results be obtained with less waste by more peaceful methods. It would appear that these conditions are maintained because human beings are pugnacious and love to fight for what they want. To receive it without a struggle would rob it of half its value, especially to those who live by agitation, contention and strife. The predominant feature in the demands of trade unions therefore takes the form of "Give us what we demand, or if not we will take it by force." In adopting this attitude they are encouraged by many flatterers, who hope to profit by the influence of their political power.

- (1) Men claim power for the professed purpose of procuring liberty, but no sooner do they gain it than they attempt to use this newly-acquired power to oppress their fellow-citizens. For this purpose they employ all the force and influence of skilfully organised societies, and occasionally by the exercise of physical force and violence, or, if the responsibility of this be denied, then, by appropriation of the exercise of it by others they attempt to dominate other sections of the community not similarly organised. The object of this conduct is to place by compulsion an artificial value on their services

entirely out of proportion to their competitive value in the districts in which they sell their services. Members of trades unions cannot reasonably expect the State to secure to them Free Trade with cheap prices for what they buy and at the same time extreme protection enforced by organised tyranny for the time and services they sell, because the services they sell are purchased in the first place by producers, and in the next place to a large extent by consumers who are their fellow-citizens and as such have the same right to equal justice as themselves. An artificial value cannot be put on the product of their labour without rendering it unsaleable or making it oppressive on a much larger number who cannot obtain corresponding advances to enable them to pay, and because it has to be sold in competition with all the world, governed by the conditions of exchange procurable under our Free Trade system and handicapped by exorbitant tariffs on its entry into other countries for the purpose of sale.

- (m) Trade unions further seek to reduce the quantity of work which a person is capable of doing without the injury of his natural power, and to surround the doing of it with numerous petty sectional restrictions which waste time, hamper trade and retard progress, with the object of benefiting themselves. This they could also do by increasing the work done, but they prefer to do it

by reducing the profits of the employer or by increasing the cost to the purchasing community.

- (n) Trade unions dictate to employers those who are to be permitted by them to work, what quantity of work they are to do, who are to work certain machines and who are to be prohibited from doing so, and demand that persons be paid a wage for certain classes of work which could be done equally well by less-skilled persons for half the price. For the purpose of enforcing these demands they strike, and when idle use up the funds which they previously subscribed out of their wages, thereby reducing the effective rate of wages materially. When idle they constitute themselves detectives or pickets for the purpose of shadowing their employers and of waylaying and intimidating persons who would be willing to take their places. Other people depending on the partly-finished work of those who strike are thrown out of employment and compelled by their actions to suffer loss of wages. Every attempt to destroy the ascendancy of the employer thus becomes an attempt to establish an ascendancy for these workmen. This desire to dominate is an ambition of almost every human being, but the exercise of it becomes more cruel when practised by the uneducated. The glaring injustice often perpetrated on the community by trade unions will be perceived from the following considerations.

In pursuance of their claims a railway train filled with passengers is forcibly stopped ; each passenger is in pursuit of his own business, one, it may be, is a solicitor proceeding to make the will of a person on his death-bed, or proceeding to conduct some important law suit, and judge and jury are kept waiting. An eminent surgeon is in that train proceeding to conduct an operation on a person hovering between life and death. Merchants are in that train proceeding to complete important business or contracts in which large issues are at stake. Each and every one of them has a right to proceed on his way unmolested, but their progress is stopped in pursuance of a resolution of some trade union committee, and they are put to serious loss and expense which but for this interference would not have to be incurred. By an unjust and unequal law those who plan or incite to commit this outrage are made a privileged part of the community and relieved from liability for their actions, no matter what damage or injury they may do to others who as citizens and as taxpayers are entitled to equal justice and protection.

And if we turn to agricultural pursuits we find corresponding difficulties.

- (o) Men covet and demand their neighbour's property and when the owner objects, as he is entitled to do, he is boycotted, persecuted and put to serious trouble and expense to recover

portion of his movable chattels which have been deliberately removed for the purpose of putting him to inconvenience and loss, and with the object of terrorising and compelling him to give it up. The lives of the people are thus made intolerable by organised criminal conspiracies for the purpose of compelling the owners to abandon the property they are legally entitled to in order to depreciate its value and to obtain possession of it by force or without adequate compensation. If any injury, offence or outrage be committed the most effective way to put a stop to it would appear to be to give punishment in kind, and if protection from the assaults of trade unions in carrying out strikes according to modern developments or defence against boycotting be organised, on the principle of the equal rights of citizens it will be interesting to enquire what may the people who are interfered with or assaulted do in self-defence. As the counterpart of picketing they may with impunity follow the people who refuse to work, shadow them in their homes, follow them when they leave home to look for employment, and when they find them in treaty for work they may peacefully persuade the person about to employ them that they are dangerous persons and disturbers of the peace. They would be entitled also to put every one of them in a black list, as these men do with

their employers when they deliberately seek to take away their businesses, hold them up to public contempt and warn the public not to trade with them. This conduct would be called vindictive, but the parties against whom it would be exercised would have no right to complain, because it is exactly what they do in order to get the better of their employers. A conspiracy to injure others is thus worked into a science which utilises the most cruel inventions of which the human mind is capable and applies them for the furtherance of selfish ends which could be far more easily procured by peaceful legitimate means.

- (p) While it is the duty of the State to provide remedies for the wrongs and distress of the citizens, no state is justified in permitting these outrages to be perpetrated with impunity. For such transactions when they become general constitute a condition of anarchy, in which if the responsible government fails to maintain civilised conditions, and to protect efficiently the citizens with the taxes it collects from them for the purpose, the citizens become, as in crude conditions of civilisation, entitled to protect themselves by whatever means or organised efforts may be necessary to attain this object. But in thus protecting themselves the State treats them as criminals, and becomes the protector of anarchy and outrage. When the persecuted are separated by long distances from sympathetic citizens,

self-protection becomes practically impossible, their only remedy to procure peace being to abandon their property and to emigrate. The injurious effect and moral contamination produced by the permission of the unjust practices described in this chapter are forcibly illustrated by the spread of the contagion to children at school who strike for the attainment of imaginary rights, because through mistaken leniency the rod has been spared.

58. These children will be the responsible citizens of the next generation, when the harvest, which will succeed the present seed-time, will be reaped, and an abundant crop of contention, strife, and insubordination may be expected to endanger the efficiency of British industry.

59. By a curious coincidence, within a month of the time when these words were written, a striking illustration of this statement as to the effect of children being familiarised with this spirit of insubordination was disclosed in the Trim Industrial School, in which a young school-master was felled to death as the result of a pre-meditated conspiracy, for which five boys were charged with murder and three with manslaughter. The jury found them guilty of manslaughter and the highest sentence inflicted by the Judge was two years' detention in an Industrial School, in which these boys had already been detained when the outrage was perpetrated. One cannot help thinking that punishment in kind, by a good whipping or a series of them as an addition

to the sentence, would have made a more lasting impression.

60. Industry is penalised and discouraged by these barbarous methods and by professional politicians, who imagine they are conferring benefits on the community by the distribution of petty doles in relief and take the credit of conferring them when they extract taxes to enable them to do so by legal oppression from the real benefactors, who create production and give employment to the population, in hundreds of millions every year, as may be seen from the tables of production in the appendix, whereas the detractors and calumniators of these producers never create any industry but often perform the functions of blood-suckers, and enfeeble the wealth-producing resources of the community by contention and strife.

CHAPTER III

THE DUTIES AND FUNCTIONS OF THE STATE AND OF THE CITIZENS.

61. There appears to be considerable confusion of thought among all classes of the population concerning the proper functions of the State, and a great diversity of opinion also in regard to the relative rights and obligations of the State and of the citizens.

62. An investigation of these by means of enquiry into the exercise, control and limits of liberty by individuals, combinations and societies within the State will enable a just estimate to be formed of the benefits which may be obtained from equal treatment under the law for all citizens in conducting the industries of the nation.

63. If we enquire into the origin, constitution and functions of the State it will be evident that, whatever may have been the method of acquiring ownership in a crude condition of society, the State is not now the owner or the proprietor of the property and wealth existing within its boundaries, and it is not in a position to bestow it upon others without compensating the owners. To purchase it extensively by borrowing money at interest, to retain the ownership for the State and then to entrust it to the management or control of irresponsible or inexperienced men not

possessing a substantial interest would not be in the interest of economy. Property is produced or rendered useful and productive by the individual or collective industry of the citizens. Each citizen taking part in the process is compensated by the owner at the time his services are utilised in conformity with the law, the existing conditions and contracts entered into on the acquisition of the property or wealth. The modern State may then be defined as an association of citizens living within a definite taxable area, joined together for the purpose of securing individual and collective liberty, and for protecting their respective persons from the tyranny and their property from the assaults or injustice of their fellow citizens, and from the oppression or encroachments of foreign nations.

64. In the discharge of these duties the United Kingdom spends annually £9,163,000 on police, magistrates, judges and courts of justice in protecting the citizens from each other. This is irrespective of an enormous amount of private expenditure incurred for a similar purpose. It also spends an annual sum of about £67,153,000 on its army and navy, principally for the purpose of protecting the persons and property of the citizens, including colonial residents, from the encroachments and oppression of foreign nations.

65. The protection of the rights and properties of the citizens is, therefore, acknowledged by common consent to be a primary obligation of the State.

66. The civil rights and liberty which the

citizens enjoy as the result of payment of taxes and protection by the State require compliance with the precepts of the moral law, and imply an obligation on the part of the citizens to concede to others the same privileges which they claim for themselves and on the part of the State to see that these rights are secured to the citizens.

67. When, therefore, self-interest or envy impels any citizen to interfere unjustly with the equal rights of his fellow citizens against their will, either by peacefully persuading or intimidating them to break the law or the contracts under which they are employed, or by which they employ others and in consequence of which other people have been deprived of their liberty, their means of support, or have been put to serious loss, a crime has been committed against the State and against those who have been injured. When that crime has been concocted or carried out by several persons or by a society it is equivalent to a criminal conspiracy, and though the intention to steal or injure may not be present to the perpetrators of the act, a deliberate or wanton attempt has been made to take away, destroy, or render unprofitable the occupations or property of others with the object of benefiting themselves. In all such cases a serious wrong has been inflicted on individuals of the community for which the instigators and perpetrators should be held responsible.

68. The persons who commit these offences deprive themselves of the right to the liberty they hitherto enjoyed, because by this conduct they have denied it to others. It thus becomes

the duty of the State to restrain by fine or imprisonment any individual or combination of individuals whose joint action amounts to a conspiracy to injure, or who do in fact injure, others by taking away their occupations or their property, or by depriving them of the peaceful and quiet enjoyment of either.

69. The enforcement of these penalties must not be taken to imply that employers should be compelled to continue to produce or trade at a loss, or that the employed cannot leave their employment if they are dissatisfied, provided that each will complete his contract as far as he is able.

But it would be reasonable to provide in agreements that not more than a certain proportion of those employed in a particular industry or department of it can leave in the same week, so as to prevent the industry being stopped and others depending on it being deprived of employment. This would be no injustice to the persons wishing to leave, inasmuch as their interests would be protected by the Industrial Court of Appeal hereinafter referred to, and it would be a provision in their own interest and in the true interest of industrial economy.

While, therefore, both employers and employed have a right to combine for the protection of their interests, the undue enforcement of these rights by either may amount to a crime against the State and against the community. Under these conditions it becomes the duty of the State, as the protector of the rights of the citizens, to provide a means whereby the grievances of those who

think they suffer at the hands of others, who employ them in large numbers, or of those who give employment, may be impartially investigated, without resort to industrial and wasteful warfare and without the exposure of confidential trade secrets, which would be detrimental to its continuance.

70. In such disputes there are the interests of three parties to be protected, viz., the citizen consumers, who use 78 per cent. of the productions; the producers, who sell these and 14 per cent. in competition to foreigners; and the wage earners, who have to live by their earnings on goods which they buy at home prices. In such investigation the State should, therefore, be authoritatively represented so as to protect the citizens as consumers, as well as the disputants, who may agree together to extort unfair prices from the public. The decisions of this determining tribunal should also be enforced by methods analogous to those employed to enforce legal decisions, such as to fine and distrain on the employer or to seize trade union funds.

71. The enormous injury inflicted by strikes on the community, and the manner in which their baneful influence filters through and affects injuriously the incomes of the surrounding population, in reduction of trade, employment and profit, may be gathered from a perusal of the tables of production, and of the re-distribution of the expenditure incurred in it, marked A to G in the Appendix.

72. If Society is to be maintained in a civilised condition and the industries of the United Kingdom continued, no class should be permitted to

dominate any other class. A permanent and peaceful remedy should, therefore, be found for the unnecessary waste, and the abuse of liberty, which dominates the industrial enterprises of the citizens. Any remedy, which is just and intended to be permanent, must be based on knowledge of the causes which affect injuriously the various interests involved, and of the industrial conditions under which strikes take place.

73. For this purpose, and with the object of providing just tariffs also, the executive government could easily equip departmental machinery to investigate and determine from numerous sources of information already in its possession, or procurable by it, the economic conditions of the various industries and occupations carried on within the taxable area of the State. It should ascertain these in the various districts in which industries are carried on, and in legislating on economic questions which affect the well-being of the community, or in making provisional rules therefor, it should not initiate any regulations detrimental to the national well-being, or calculated to injure the property or rights acquired under existing law by any class or body of citizens without their being enquired into in this manner, and without equitable compensation, should such enquiry disclose the necessity for taking away any of these properties or rights in the interest of the nation.

74. The duty, which thus devolves upon the State, implies the further obligation to collect from the citizens the amount necessary to defray its management expenses ; and while all citizens

who enjoy civil government are under obligation to contribute, justice requires that the incidence of the contributions which the people are called upon to pay shall bear some equitable relation to the liberty provided, the rights defended, and the extent or magnitude of the interests protected, and the expenditure required for it. Hostile or opposing interests, individuals, or societies should, moreover, not be entrusted with power to oppress or to injure any of the citizens by using the liberty they are provided with to manipulate the laws enacted by the State to their own advantage, or to the injury of others who pay for their protection and for the administration of equal justice. The interests which require this protection are the persons, the properties, and the industries of the citizens.

75. If I might be permitted to make suggestions for the improvement of the mother of Parliaments which others have taken the liberty to reform for their special benefit, I would suggest that, to protect these interests adequately, the citizens, who are taxed in proportion to the extent or value of their ownership, ought to have power to elect a legislative assembly which would initiate and take charge of the management of the financial affairs of the State by a constituency with rights bearing some equitable relation to the contributions which they as electors are called upon to pay, as in commercial enterprises, on the principle that he "who pays the piper, has a right to choose the tune." This financial assembly could be elected by multiple vote based on taxable

contributions, and its influence on the incidence of taxation could be controlled by the Council of supervision referred to in paragraphs 82 and 83.

76. Many politicians now claim that every citizen who pays taxes should have an equal vote, others claim that all men should have equal votes, whether they pay taxes or not. As political power is now vested the vast majority of voting power is entrusted to citizens who individually contribute only trifling sums to the expenses of the State.

77. This power of voting was asked for in the name of liberty, and after being obtained it has been used to dominate the community and to determine that the promoters of the industry which has made the population and the State prosperous shall not only be heavily taxed for doing so but shall be gradually deprived of the property acquired by their enterprise for the benefit of the community. While this is being done it has also been determined that many of those who have particularly distinguished themselves in the promotion of industry and have been created Peers shall be absolutely deprived of all votes and influence in the assessment of these taxes and in the distribution of them.

78. Experience, therefore, teaches the citizens that as political parties are now constituted no great party returned to power for partisan purposes and enforcing its will against another great political party returned to oppose those objects is competent to make equal laws, nor can it be always relied on to administer the laws impartially.

79. In all such cases to secure equal justice there would require to be an independent authority competent to judge the justice of the provisions of proposed Acts and invested with power to prevent partisan legislation becoming of binding force on the citizens when the provisions are unequal and unjust.

80. It has already been stated that the claim for equal votes on financial matters was made in the name of liberty, but the experience of the country shows that the liberty wanted was liberty to abuse and oppress fellow citizens, and that the generosity which granted an unfair claim has been grossly abused.

81. If it should be thought that the citizens would not be justly treated by this financial assembly, on the ground that it would not act impartially and that a partisan government cannot be relied on to enact just and equal laws and to administer them impartially, then the liberty and right of the persons engaged in the national industries and the citizens generally would require to be further protected by the State. This duty might be entrusted to another assembly chosen by a wider suffrage in the event of the other financial assembly being constituted as stated. Such an assembly ought not to have power to alter the constitution or to control finance against the will of the other house which represents those who are called upon to pay the money voted for expenses.

82. All laws binding upon the citizens should comply with the foregoing principles and be

sanctioned by both assemblies, but before becoming operative they should be examined, as is now done by Committees with some Acts referred to them, by an expert Court or Council of State, which might consist of a small number of members independent of the government of the day with power to take evidence, hear and weigh objections and to ascertain the facts.

83. This Court should consist of men of wide experience, some of them being legally trained, others commercially, and all men of integrity. Their duty would be to critically examine all proposed Acts of Parliament passed by the two assemblies, and to see that these Acts were in conformity with the moral law and the constitution of the State, and it would be their further duty to see that they did not infringe or take away the liberty or rights of any citizen without such infringement being for the benefit of the nation, and then only after providing proper compensation to the persons whose rights it is proposed to interfere with, and after providing guarantees against abuse equivalent to deprivation of the privileges.

84. When the proposed Acts had been proved and officially certified to have complied with these requirements they should then be presented to the King as head of the State for signature, and only when passed and signed in this manner should they become law and be binding upon the citizens.

85. As industry cannot survive under unprofitable conditions, but is now subject to enormous risks, both from legislative interference and indus-

trial warfare, as these increase the cost of production by compulsion without equivalent complementary legislation to prevent the value of the goods produced by wages being forcibly kept down by untaxed competition from sources not subject to similar charges, and as employment cannot be given without the continuation of industry, it is necessary, if the industries of the country are to be preserved, to prevent this disorganisation, national waste and abuse of liberty which is so disastrous to it.

86. There are other methods of promoting industry and giving profitable employment for the citizens with justice and equity for all not dreamt of in the philosophy of Free Trade and Socialistic Finance. These require that the Legislature should enact just laws and that the executive government should administer them fairly and impartially to all citizens. In other words, the Government should do right and protect the citizens in doing it, and should compel the individuals and organisations of the community to do likewise.

87. It should also require the citizens to give to others the same liberty which they claim for themselves, and deprive those who abuse these privileges of the power to do injustice or injury to others. It should not grant licence or liberty to do wrong, to intimidate citizens or invade the rights of others. Any adjustments in the interest of justice ought to be carried out by due process of law, justly enacted and administered, and those who abuse these privileges should be

deprived of the power to do injustice or injury to others who are entitled as citizens to the same rights and privileges as themselves.

88. The advocates for reform of the British fiscal system believe that improvement in the condition of the industrial population can be better achieved by other methods than industrial warfare and the Socialistic subdivision of the capital owned by the population and employed in industry. These methods are :—

89. (a) To save the existing waste in production by the peaceful settlement of strikes on principles of equity enforced by the State.

(b) To improve business, and increase its volume and profits by the creation of demand for home produce in foreign markets, in conformity with equitable conditions of exchange.

90. Employers would thus be able to raise wages without materially increasing the cost of production. Industrial experts know that this is not only capable of being done, but that by the doing of it in foreign countries British markets are flooded by alien products, which destroy the profits of the home producers, and reduce the wages or take away the employment of the home population.

91. In the following chapters it is intended to investigate the existing conditions under which the production and commerce of the United Kingdom are conducted, to illustrate their effects upon the various classes of citizens, and to suggest some of the methods by which the principles of equal justice can be carried out in a manner which will enable the citizens to earn an independent

competent living, improve their social conditions and relieve poverty and distress without resort to charitable aid, or exposing them to the degrading influences of Poor Law relief.

92. This system will produce the greatest good of the greatest number in a manner which will do justice to all, reward the thrifty, diligent and industrious, but leave the covetous, lazy and envious, who are fit to work but refuse to do it, to enjoy in suitable industrial homes to be provided by the State, and to which they may be sent by order of Justices of the Peace, just what their capacity enables them to earn in competition with well-disposed persons who are willing to live and improve their positions by their own exertions.

93. The security and equal treatment which the State provides carries with it the duty that every citizen will exert himself to the utmost of his ability in conformity with the moral law and the laws of the State, for the support, education, and advancement of himself and those depending on him, and if he does not possess sufficient initiative or enterprise, to conduct business for himself, then to sell his services to others, who may require them, for such consideration as they are willing to give without compulsion, and they are desirous to work for, without compulsory restraint in the market for employment.

CHAPTER IV

THE ASSESSMENT AND APPLICATION OF TAXES.

93A. The controversy between Free Trade and Protection is in effect a dispute as to the best method of assessing taxes. It has been already explained that taxes are imposed by the State, for the purpose of obtaining the means wherewith to secure to the citizens individual and collective liberty, and to protect their persons from the tyranny, and their property and possessions from the assaults of their fellow citizens, and from the encroachments and oppression of foreign nations.

94. The object of taxation by the State has been extended to include national solicitude and benevolence towards the weak and unthrifty, who have been driven to the wall by the unequal competition of our economic system, or as a result of unthrifty habits formed by association and environment.

95. Although private benevolence, which relieved distress in former times, is being largely superseded by legislative provisions to place the relief of poverty as a compulsory burden on the community, private benevolence is still called upon to relieve distress and to provide citizens who are in want with many necessary things which they are unable to procure for themselves. The

exercise of benevolence in this manner by the State increases taxation on the survivors in the economic struggle, in order to support the unfit, or less fit, in a condition of idleness, and many believe that an economic system which would enable these people to help themselves would be preferable to making them paupers or State pensioners, and more economic also.

96. Some agitators now claim that the expense incurred for the management of the State, should be borne as far as its resources will suffice by the land, which they erroneously assume to belong to the State, instead of to those in legal possession of it, either by inheritance from their predecessors, or by purchase, it having been acquired under the sanction and security of the law, and made profitable only by the expenditure of money and the application of labour and intelligence.

As land is not the only form of property which requires to be protected, as the owners and cultivators of land have been already penalised under the British Free Trade system to provide food for the population under the equitable cost of production, after paying a fair wage to the people employed and a reasonable profit to the cultivator and owner within the State, and as the owners and cultivators of land are not the only beneficiaries of civil government, no sufficient reason can be adduced why the whole or even greater part of the burden of taxation should fall on them, or why the various sections of the community, who possess other forms of property and wealth, which require to be protected, and who

enjoy equal privileges as the result of the payment of taxes, should escape bearing their equitable share of the expense which the State incurs in the management of its affairs and in protecting their persons and property.

97. There does not appear to be any sufficient reason why the State should enforce unequal competitive conditions on trade, which make it impossible to pay more than starvation wages in a considerable number of national industries if trade is to be continued, or why it should continue to produce pauper pensioners, by taking from citizens incentives to thrift, enterprise and self reliance, when it can provide them with the means of earning their own support by profitable conditions of industry. These can be promoted by fiscal regulations calculated to increase and develop home industry.

98. It is a cardinal principle of Free Trade economics that taxation should only be made for revenue purposes. This is not an economic principle at all, but on the contrary a most extravagant one. There is not any valid economic reason why the method and object of raising revenue should be controlled by this questionable dictum, for it is well known that human actions frequently produce numerous and varied effects, in addition to the principal one intended by their being set in motion.

99. Taxes may thus be assessed by the State for the benefit of all in a manner which will serve the double purpose of raising revenue and protecting the industries out of which the citizens support themselves and pay taxes.

Taxation for revenue purposes only will be found *in many cases* to have a double object also, one being to raise revenue for the public benefit, the other to further political prospects by ostentatious beneficence with other people's money and resources in hope of personal favours to come.

This preservation of industry can be accomplished by the assessment and collection of taxes without incurring any appreciable additional expense. If economy is what legislators aim at the exercise of this prerogative by the State will be more economic than the protection of commerce and industry by armies and ironclads, though the existence of these in every State may be necessary to enforce it, and may enforce it by the knowledge of their existence without having to resort to the expense of destructive warfare.

100. To carry out the principle of equal treatment by the State, the obligation to raise revenue should be exercised impartially, for equal treatment which every citizen is entitled to requires that the State should not penalise one section of the community (*such as the owners and cultivators of land*) who produce what other sections (*principally dwellers in towns*) use, in order that the using section may be able to procure the commodities it requires below the cost of production, without paying a fair wage to the people engaged in it, and without yielding a reasonable profit to the producer, within the taxable area of the State in which both sections live.

101. The Free Trade methods of taxation are founded on favouritism of certain classes, to the

injury of other classes who are not competently organised for defence or sufficiently aggressive to exact their rights. The question at issue is can these classes not receive better treatment by peaceful methods without sacrificing the interest of other classes who are entitled to equal treatment from an impartial legislature.

102. Goods should not necessarily be excluded for the purpose of protecting the citizen; but if they are such as could be produced within the State, it is claimed in the interest of fair play that they should be only admitted subject to a tax, payable to the British Exchequer to the credit of the whole taxpaying population, which would oblige them to compete on equal terms, instead of being admitted at a reduced price, for the benefit of the users.

103. By application of the same principle, dumped goods should not be allowed to kill an industry, because the home producer pays taxes which these have escaped, and the government can appropriate for relief of the tax-paying community the difference between the natural price produced under British conditions of labour and taxation and the dumped price. At the same time and by the same operation it can save the British industry from extinction, as it is under obligation to do, and also benefit the wage earners by continuation of the industry. What is involved in this extinction will be understood from an examination of the tables of production and redistribution, A to G in the Appendix.

104. It is generally believed or assumed that untaxed competition between British manufacturers

and the producers of similar goods in other countries is necessary to secure moderate prices for the citizens who are consumers.

105. But foreign untaxed competition can only secure this by making the home producer pay in reduction of prices the tax which imports of these should have borne. The home merchants who supply the population with goods can take their supplies from the same sources, whether taxed or untaxed. When taxed the citizens generally reap the benefit by being compensated for advanced prices in abatement of other taxes, when untaxed the citizens have to meet the deficiency in revenue by additional taxes.

106. The competition between home and foreign productions is, moreover, unnecessary to keep down prices, because the competition between home producers and home merchants is always acute, and frequently so keen that for long periods the competitors distribute the whole of what ought to be profit in reduction of prices, and occasionally sell under cost price rather than lose their customers to their competitors.

107. When these conditions of keen competition exist, pools, trusts, or combinations are often resorted to to protect labour and to save industries from extinction. These trusts in their turn have a similar influence to trade unions, and tend to enrich the protected at the expense of the consumers, in consequence of which they require to be under the control of the State, as it is here contended trade unions should be on an appeal to the State tribunal of industry by those who suffer.

108. The purchases made under the British Free Trade system, include the importation in large quantities from foreign countries, free of duty, commodities capable of being produced by British citizens within the United Kingdom, while these foreign countries refuse to receive in exchange British goods on equal terms.

109. No British citizen is permitted to produce similar goods within the United Kingdom without contributing annually large sums for local rates and national taxes, which are applied to pay the management expenses of the local authority, and of the State.

110. If these imported goods had been produced at home by our own population, instead of being imported free, they would have similarly contributed large additional sums, which would have increased the British revenue in a greater proportion than the expense which the State would have incurred in protecting them, and would thus have either reduced taxes or provided the Chancellor with additional funds to exploit schemes for the benefit of the people.

111. The State has, therefore, been deprived of revenue by their free importation, and it is no satisfactory reply to this contention to say that these goods pay taxes in the country of their origin, when that country fails to compensate the United Kingdom by equal privileges for the productions of British citizens.

112. As all goods produced include in their cost of production part of the taxes paid on their production in the country of their origin, it follows

that those who use them within a Free Trade country pay the taxes of the foreign country included in their price, as well as their share of the increased home tax incurred by loss of taxes which would have been received if these goods had been made at home, but when such goods are produced at home and no import duty is imposed the consumer is relieved by reduction in price and the burden of the tax omitted is thus transferred to the home producer and wage earner.

113. If, however, these goods are imported after the exaction of an import duty, while the purchaser may still pay part of the foreign tax included in the price, a reduced price will generally be accepted in order to gain admission to our market in competition with home producers probably equal to the whole tax, if it be a moderate one. This reduction will compensate the purchaser for import duty added to the price, and as the import duty will reach the National Exchequer, both he and the general taxpayer will be relieved by this import tax of the taxes which were omitted to be collected from home producers in consequence of these goods being produced in foreign countries.

114. This reduction in price thus counteracts to some extent an import tax which increases prices and benefits the consumers (paragraph 147), but it is preferable to Free Trade, inasmuch as it replenishes the National Exchequer and preserves industry, which Free Trade fails to do. But if the foreign country grants a bounty or refunds the import duty paid by its citizens as a greater inducement to obtain an entrance, compensation will have been

obtained in the importing country—to some extent both for the consumer and the State, but not for the wage earner as such, and part of this compensation would not have been obtained but for the imposition of the import tax. In such an event duty could be increased to the extent of the bounty in order to save the home industry from extinction, and this would be credited in reduction of taxes to the tax-paying community.

115. Free Trade advocates in arguing this question attempt to defend foreign countries and to put their own countrymen in the wrong, but foreign statesmen are better qualified to look after the interests of their people than the British are, and the first duty of British statesmen is to provide for the prosperity of their own citizens whom they tax for that purpose.

116. As the amount of rates required to defray the expenses of the local authority, and the amount of taxes required to pay the management expenses of the State, are limited to the annual requirements of these bodies, the omission to tax the substituted commodities is equivalent to an extra burden placed on British producers of similar goods, and in a smaller degree on the existing taxpayers, to the extent of this tax omitted to be assessed and collected, less any additional expense which might have been necessary to protect them.

117. And as the State and the local authority must provide officials to collect the revenue necessary to manage the business and discharge the necessary expenditure of these bodies, the

expense of collection is not a necessary item to be brought into account, as is frequently done in attempting to determine the comparative merits of the two systems, because the revenue collected under the new conditions will take the place of other revenue which would have been collected and may under the altered circumstances be collected, by the existing revenue officers.

118. Any additional revenue required to meet national expenditure, and the cost of collection would apply with equal force to both systems. The duties thus imposed do not, therefore, put an additional burden on the population, as is usually represented by some politicians for the purpose of persuading their supporters to reject State protection of the industries out of which citizens earn their living, because by whatever sum the price of commodities may be raised on the public, who are consumers, by virtue of such imposition the burden of taxation can be reduced to the same extent by the abatement of some other tax. If the minister responsible for the change fails to reduce taxation the statesman is to blame and not the economic system.

119. It will no doubt be alleged that the vendors of the goods on which these duties are paid will charge a profit on as much of the increased price as consists of duty. If so, they have paid the duty in advance of the sale and consumption of the goods, and are therefore entitled to interest on the duty they have advanced to the State. More than a very moderate rate of interest they are unable to procure in the face of competition

between citizens, frequently none at all. But when they do charge a profit on the duty paid, it is not any loss to either the State or the citizens when compared with Free Trade conditions, because the State receives the tax in advance of the consumption of the goods and thus saves the interest to the taxpayers, which, but for this, would be paid by the State in the form of interest on money borrowed, and the State would have in addition taxes on the increased trade. Nor is it an increased burden on the people, because these goods take the place of others which they would have used, and the increase in question is the cost of handling the goods which would have occurred in either event.

120. Such changes will, however, require the readjustment of the incidence of taxation. The statesman responsible for the change will, therefore, be called upon to investigate carefully the incidence of the amended taxes, giving relief where necessary, in order that citizens shall not bear more than the equitable share of taxes which their resources and position entitle them to pay.

121. If the effect of such procedure be to raise the price on some commodities produced at home, the raising of the price on the portion of similar goods produced at home will only be granting to the producers what they are equitably entitled to, by making partial restitution to the producers and their employees for an unjust burden previously inflicted on them. This is especially true in relation to agricultural pursuits, in which the people employed have not been paid advanced

wages as in other industries, and could not have been without stoppage or curtailment of the industry, which has been the result of Free Trade. The work of agriculturists in addition is more laborious, with no amusements as in town life, their days are also longer, and generally speaking they are never free from duty.

122. The free importation of foreign goods capable of being produced at home reduces the natural price which the producer is equitably entitled to in producing under the conditions of British labour and the incidence of British taxation.

123. This reduction in price is equivalent to an additional tax on the producer who has to accept a lower price for his productions than he would otherwise receive, but with the difference that the assessed tax which the producer contributes as a citizen is paid into the British Treasury to the credit of all the taxpayers, and is applied to defray the management expenses of the State and of the local authority, whereas the reduction which he suffers in the price paid for his productions by virtue of untaxed imports of similar goods (often heavier than the direct tax) fails to reach the Exchequer or County Treasurer, and becomes in its effect a negative tax applied by the fiscal regulations to reduce the price of the commodity to the British consumer.

124. The burden of this negative tax is thus borne principally by the producers of that commodity, who are in this manner unjustly taxed.

125. An illustration of the result of this injustice, and of the danger of agitation carried

on by sophistry, is furnished by the popular demand for land legislation. For this purpose an agitation was got up against extortion by landlords, who were blamed for the impoverishment of the population. This charge was fanned into flame by agitators, whose utterances were ultimately treated as "the voice of a god and not of a man." There were, no doubt, bad landlords, as there are objectionable people among all classes, but there were generous landlords also, as there are generous people in every grade of society. In this case the landlords received only on an average 20s. to 40s. per acre in rent, as interest on their investments.

125A. When landlords raised rents on improvements made by their tenant farmers they did a blameable thing, but they did what many of these tenant farmers as well as other citizens would have done under similar temptation, and it was as much the fault of British law which left the doing of it possible as it was of the landlords who yielded to this selfish instinct. Experience of men, moreover, shows that when people have risen from the ranks of complainants and invested their savings in land, they have not turned out more generous than the landlords whom they displaced or previously abused for the selfish appropriation of benefits produced by the industry of others.

126. If we compare the price of wheat as a produce of land before the adoption of the existing Free Trade system with its price at a similar period fifty years later, the following startling fall in the value of wheat will show who was most to

blame for the impoverishment of the cultivators of land for which popular opinion blamed the landlords only. Fortunately, all land was not used for the cultivation of wheat, for if it had been the bankruptcy of all the cultivators of land would have been assured.

	Per Quarter.			Equivalent value per Acre.	
	s.	d.		s.	d.
For the 5 years ending 1850 the average value of wheat was ..	51	10	..	201	3
For the 5 years ending 1902 the average value of wheat was ..	28	4	..	109	9
Fall in the value of wheat in fifty-two years, which was partly due to improvements in machinery and other savings in the cost of production	23	6	..	91	6

127. It will thus be seen that on an average for every 35s. per acre which the landlord received for interest on his investment, the population who demanded that the landlords be punished, had themselves reduced the value of the cultivators' crop by £4 11s. 6d. per acre without any equivalent consideration, such as rent for capital expenditure or taxes for the State when they ate his crop below the cost of production, and admitted foreign wheat free of taxes within the taxable area of the State, in which the cultivators had as much right to be protected as the consumers. It must not, however, be taken that this reduction of £4 11s. 6d. per acre was all loss to the farmer or entirely produced by foreign competition and the cheapening of ocean

freights, because improvements in machinery and methods of agriculture reduced the cost of production in this industry, as they did during this period in every other form of production when the trade of the world was revolutionised by the genius of invention ; but a large proportion of the loss consisted of the deprivation of the earnings of the industrial population who lost 18s. 8*d.* per acre on the original prices and 24s. 10*d.* on the redistribution, making together a loss per acre suffered by the industrial citizen of 43s. 6*d.* (ascertained from Table A, part 2, col. 7, Nos. 23 and 24, and col. 9, Nos. 23 and 24).

CHAPTER V

THE EFFECTS OF FREE IMPORTS ON PRODUCTION, WAGES AND EMPLOYMENT.

128. The British Free Trade system claims to secure the comfort and prosperity of the population by the legislative enforcement of fiscal laws which are designed to secure moderate prices for purchasers.

129. This system, while claiming to be free, is therefore extremely partisan and essentially protective, because in doing this it protects the consumers and exposes the producer to unfair competition on the apparent assumption that producers if not checkmated by foreign untaxed competition would be extortioners. Producers are, therefore, left to look after themselves, being hampered in production by trade unions and obstructed in selling at home by foreign untaxed competition, and in foreign countries by tariff walls requiring reduction of price to gain an entrance.

130. In their efforts to make their undertakings profitable, producers and merchants are obliged to enter into extreme competition with each other within the State and to cut prices, reducing them further for the benefit of the consumers. At the same time they are obliged to keep wages

and expenses low, without which they could not continue business.

131. The effect of this procedure is that the majority of the consumers who are wage earners suffer a greater loss in reduction of income with which they purchase what they use than they gain by reduced prices through untaxed imports.

132. In thus securing cheap prices by free imports they pay to foreign workers wages which in loyalty to their fellow-citizens should be paid to them. By this means they take away the employment of their own class and lower the rate of wages by unnecessary competition from abroad, where similar goods are purchased for home use without being subject to similar restrictions and without making corresponding contributions in relief of the national and local taxes of the importing country.

133. The condition of the people cannot be measured by the prices they pay for the goods they buy, because the power to spend is derived from, and almost entirely depends on, the ability to earn. The condition of the people is, therefore, controlled to a greater extent by the remuneration they receive for what they sell, whether what they sell be goods or personal services, than by the prices they pay for what they buy, and if, by being thrown out of employment, they fail to earn wages, they cannot continue to live without support and must become a burden on the community, or emigrate. They cannot, moreover, continue to receive wages for services except those who purchase their services are able to sell

the goods produced by them at a profit, and neither the payment of higher wages than the producer can afford nor the sale of goods under cost can be exercised extravagantly without personal and national waste.

134. The finding of profitable purchasers for goods produced by wages being an essential part of the complete process of the industry is, therefore, as necessary to prosperity as the economic production of them.

135. It follows that in order to discharge its duty to the citizens the State should secure for their productions and commerce the same equality of treatment in foreign countries which it grants to foreign countries within its own taxable area.

136. If we enquire into the component elements of the goods we buy which are capable of being produced at home we shall find interesting information and substantial reasons for modifying many preconceived ideas on this subject. These elements include :—

- (a) The *production* or *purchase* of raw material and other goods used as such produced by wages and the *value* of them.
- (b) The *interest* on *capital* necessary to secure its use for the production of goods and the sale or exchange of them.
- (c) The *wages of labour*, the earnings of *skill* and the *salaries of management and sales*.
- (d) The *local rates* and *national taxes*.
- (e) Other *necessary expenses*, such as insurance and general charges.

137. If we carefully examine the nature and

relative proportions of the various charges which enter into the cost of production we cannot avoid seeing the enormous difference there is between producing goods at home and buying them from other countries in a manufactured condition, or fail to perceive preventible causes for many of the extremes of wealth and poverty experienced by the citizens.

138. When we enquire into the elements of production we find that all goods are either raw material produced by nature assisted by labour and skill at home or in foreign countries, or commodities manufactured out of raw material by the use of capital, the genius of invention and the employment of labour and skill. By means of all these agencies goods are made from the products of nature into the condition in which we use them.

If nature is capable of producing her part of the goods within the State and is left unemployed or less extensively employed than she might have been, nature's products out of the property of the citizens are to that extent wasted ; and if the labour and skill of the citizens are left unemployed in consequence of foreign purchases, or less remuneratively employed than they might have been, then a corresponding loss is sustained by labour and skill. Both forms of loss represent national and individual waste, which the British Free Trade system has produced to an extent incapable of measurement.

139. It may be similarly argued that if capital, which might have produced goods, be sent abroad

for investment because both the State and wage earners seek to make the conditions of its investment at home unprofitable, neither the capital nor the interest of it will be necessarily lost, but the wages which would have been earned by its investment at home and the redistribution of these earnings have been absolutely and irretrievably lost. All that has been received in their place is dividends on foreign investments and a trifling reduction in the price of certain imports, against which the wages of the production have been lost and the deficiency thereby produced in the yield of taxes has to be made up by taxation of the citizens in other forms.

140. The creation of wealth by industrial production within the State may be increased by the maintenance of equitable conditions for the promotion of industry designed to secure confidence and to encourage those who possess capital to embark in business, in return for which they should be secured against the disturbing conditions which render the investment unprofitable. On the other hand, the creation of wealth may be retarded by industrial disturbances which threaten to destroy, by unprofitable conditions, capital expended in productive enterprises which have taken years of self-denial to accumulate.

141. It is not a matter of indifference to the citizens in what part of the world wealth is produced, as some assume, for the people subsist on the earnings of industry; and the creation of wealth within the country confers far greater benefits on the community than its creation

outside the boundaries of the State, even if that wealth be produced by British capital invested abroad. Because, when invested at home, both the earnings of the original industry and the redistribution of these earnings in the adjacent district, promote additional industry, create employment, increase wages, prevent poverty and lighten the burden of taxation in relief of the whole community.

142. An investigation of the economic forces which determine the condition of the citizens includes an enquiry into :—

- (a) *Capital* expenditure required for production.
- (b) *Working expenditure* incurred in production.
- (c) The *redistribution* of capital expenditure and of working expenditure *within the taxable area of the State* as distinguished from production and redistribution carried on *outside its boundaries*.

143. The analysed tables of production and distribution A to G in the Appendix are intended to show the nature of the operations involved in the production of food and in the production of clothing material. These items are chosen to illustrate the subject because the largest part of the earnings of industry is expended on them.

144. They show how closely the individuals of the community are attached to and dependent on each other in the process of industry ; how and to what extent the industrial expenditure of one set of individuals becomes the income of another set ; how this income as it passes round is expended in the support of the people who earn

it, and who, in the spending of it, employ and pay other sets of individuals to produce and distribute the goods they use.

145. These tables further show that the State cannot deplete the earnings of any set of individuals by the substitution of foreign goods capable of being produced at home except by exchange of productions or the exaction of an import duty, without inflicting an injury on the citizens and partners in the State who form other sets, and who, but for this foreign purchase, would have produced these goods.

146. They also show that the items which enter into the cost of goods are so numerous and variable that great foresight and care are required to arrange and control expenses so that the cost shall not exceed the price which the producer will be able to procure for the finished goods when offered in competition with similar goods produced either at home or in other countries under different conditions.

147. Advocates of the Free Trade system affirm that the consumer or user of goods pays the import duty, and that the imposition of a duty on British productions entering into foreign countries is not any concern of ours, because if we pay it we add it to the price of our goods which the foreign consumer pays.

This affirmation is too sweeping and will not bear investigation, for :—

- (a) The imposition of a duty which raises the price considerably reduces consumption, and if the duty be excessive it will be almost

prohibitive. This imposition, therefore, reduces the quantity which, but for it, would be sold, and that quantity includes the wages of its production which are reduced in a corresponding degree in the exporting country.

- (b) When the goods being imported are not produced or producible by the importing country, the bulk, if not the whole of the duty will be payable by the purchasers or consumers in the importing country, and in such cases duty should not be imposed under a Protectionist policy, one of the objects of an import duty being to protect the producers of goods in the importing country—and this includes the protection of the wage earners who make the goods.
- (c) When similar goods to what are being imported are produced within the importing country competition comes into play and a new set of conditions becomes operative. Assuming the conditions of labour and machinery to be similar in both the exporting and importing countries, and that an import duty is imposed, the burden of duty and freight will fall principally on and be paid by the exporter, and will be made effective by reduction of price to meet competition. As a result of this procedure the quantity imported will generally be reduced. The exporter may save himself to a considerable extent, if he be a large producer and can cheapen the cost by producing increased quantities or by being

able to procure a large profit on what he sells in his own country, where part of his productions are sold under protected conditions. In the event of an excessive import duty being imposed on British goods entering foreign countries the quantity imported would be considerably less than it would be if no duty were imposed, and the wages of home labour included in the quantity produced at home would be reduced in a corresponding degree, thereby injuriously affecting the home industrial population.

- (d) The contention that the whole burden of an import duty will not be borne by the consumer of foreign goods imported subject to an import duty, when similar goods are produced within the importing country, and that the importing country would be benefited by the imposition of this duty in relief of taxation, is proved by the actual experience of the United Kingdom as a free importer of grain compared with France and with Germany as taxers of such imports, as recorded in the volume of Board of Trade Statistics, C.D. 1,761, 1903 : pages 124 and 125.

For the purpose of this comparison a period is taken prior to 1902, when no import tax was collected on cereals by the United Kingdom, and compared with a similar period when France and Germany imposed a duty on imports of these commodities.

During five years between 1895 and 1901, France imposed a duty of 12s. $2\frac{1}{2}d.$ per quarter. The average price of grain in France over the British price for this period was 8s. $3d.$ per quarter, showing the portion of duty retained by the French Government in relief of taxes of 3s. $11\frac{1}{2}d.$ per quarter in excess of the rise in price paid by the public, or a price paid by the population of 3s. $11\frac{1}{2}d.$ per quarter less than the full duty collected, and at the same time giving the home producer 8s. $3d.$ per quarter more for his productions than he would have received if the duty had not been imposed.

During the period from 1883 to 1901 Germany imposed an average duty of 7s. $5d.$ per quarter. The average price of grain in Germany over the British price for this period was 6s. $2\frac{1}{2}d.$ per quarter, showing the portion of duty retained by the German Government in relief of taxes of 1s. $2\frac{1}{2}d.$ per quarter in excess of the rise in price to the public, or a price paid by the population of 1s. $2\frac{1}{2}d.$ per quarter less than the full duty collected, at the same time giving the home producer 6s. $2\frac{1}{2}d.$ per quarter more for his productions than he would have received if the duty had not been imposed. By a calculation for another period the import duty was 7s. $7\frac{1}{2}d.$, the difference in price, 6s. $11d.$, showing the balance of duty of $8\frac{1}{2}d.$ per quarter applied

in relief of taxation and in excess of the rise in price to the public.

- (e) The natural inference from these facts is that in the United Kingdom where free imported goods are brought into competition with the produce of agriculture, the home producer bears the ordinary burden of British national and local taxes, and in addition pays the equivalent of this French difference of 8s. 3d., or German difference of 6s. 2½d., by means of a reduction in the natural price which his productions should be sold for under the conditions of British labour and taxation. The British public, who under the conditions of taxed imports would be benefited by receiving this 3s. 11½d. or 1s. 2½d. per quarter either from foreign producers or the wholesale importers in relief of taxation, have under these Free Trade conditions to pay the full taxation represented by the French duty of 12s. 2½d., or the German duty of 7s. 5d. In other words, they lose the credit in relief of taxation represented by these items of 3s. 11½d. and 1s. 2½d. per quarter respectively, because they have to make up the whole amount of taxation necessary to manage the affairs of State, which would appear to be partly borne by foreign producers in reduction of price if a duty on imports were imposed in the United Kingdom as it is in France and Germany.
- (f) A specious argument has been based on the

admission that the citizen consumers would have to pay the tax represented by the French duty of 8s. 3*d.* and the German duty of 6s. 2½*d.* per quarter not recovered from the foreign producer. Advocates of Free Trade make up a huge bill of taxes on this assumption, but aggravated by being made up on the gross amount of taxes levied, with the object of showing how much the public would have to pay under a system which taxes imports. This has been done with the object of inducing the citizens to support the existing Free Trade conditions, and so escape paying this objectionable bill.

This method of reasoning is completely illusory, and metaphorically raises a cloud of dust which the mental vision of the unthinking may not be able to penetrate.

The population will have no more to pay under the altered conditions than they have now when they are called upon to raise by taxation of the citizens the full amount of the bill of British national expenses voted annually by Parliament.

This sum they will only be called upon to pay under an amended incidence of taxation and the altered conditions demanded. But they will pay the bill with greater resources arising out of the earnings of an increased and profitable trade, which is equivalent to lightening the burden of taxation.

148. The tables of production A to G in the Appendix are constructed from an extensive collection

of the actual expenses of production and distribution which constitute the earnings of the population based on the experience of trade in the United Kingdom over an average of years. They include periods of prosperity and depression, and contain the average analysed working expenditure incurred in the production and distribution of British goods, and in the support of the population employed in their production and distribution for all the principal, and for a large number of minor, industries carried on in the United Kingdom. These averages are calculated from the tabulated percentage which the various items of expenditure incurred in the production and distribution of the goods bear to the amount received for the sale of them. The statistics on which they are constructed represent a period prior to the introduction of accident insurance, workman's compensation, old age pensions and national invalidity insurance, all of which have added considerably to the cost of production and made a corresponding reduction in the profits of industry.

148A. It will be seen by these tables that the average earnings received by capital from industry is only a moderate rate of interest on the capital necessarily employed to carry on the industry. These rates may be questioned on the ground that many concerns pay much higher dividends, but such dividends do not represent the average earnings of industry. Neither do they represent the average earnings of the firms which pay these dividends, because in practice almost every trading

concern employs capital in the form of advances or temporary loans on bills at extremely low rates of discount for certain periods of the year, and many concerns borrow permanently at moderate fixed rates because the loans are obtained on preferential conditions. Such loans are capital employed in business as much as is the capital belonging to the proprietor. This leaves ordinary capital or shares which bear the greater risk to obtain a correspondingly higher rate of dividend, but superficial observers or persons not acquainted with finance fail to discriminate between these risks, and obtain wrong impressions of the profits of the business as a whole.

149. The higher dividends are, therefore, to a large extent the result of genius in financial management. Higher dividends are also produced by other causes, such as greater skill in organisation, judgment in management, experience in handling the goods, established business connections, improved machinery, etc. Such extra earnings are not properly speaking interest on capital, but the rewards of skill and genius in management. In many trading concerns no charge whatever is made by the proprietor for such skill, the whole earnings being treated as profit without providing for this part of management expenses. There are also prosperous and dull periods in trade, and there are small businesses in which the full benefit of cheap production cannot be obtained as it is in larger and better-managed concerns. In such cases the cost of production is usually but not always in expe-

rience decreased as the output is increased, and a resultant increased profit earned.

150. These tables of production being based on averages of expenses which are continually changing, not only as a whole but in various districts, many of them changing also in the ratio which they bear to each other and to the selling price, cannot be taken as disclosing at any particular date the cost prices in any of the industries described in these tables. They do, however, represent the approximate relative proportions of the expenditure incurred in trade with substantial accuracy. This is capable of confirmation by the Income Tax Returns in possession of government departments which are available to them, and would with slight modifications and additions form reliable data for fixing tariffs on the principle explained in this enquiry should such be decided on. They are not, however, available to economists for the practical study of economic science as distinguished from theoretical speculations and generalisations hitherto relied on and often indulged in by economic writers.

CHAPTER VI

THE PRODUCTION OF FOOD BY HOME LABOUR IN BRITISH TERRITORY.

151. The incomes earned by the population are principally spent on their food and clothing. These items have, therefore, been selected for the purpose of investigating the comparative merits of the economic systems of Free Trade and Protection as they affect the condition of the industrial population.

152. For the purpose of illustrating the expenditure incurred in the production of food, there has been selected *the wheat we purchase*, the whole of which is capable of being grown within the United Kingdom by the cultivation of 7,150,000 acres for its production (see Appendix, Table A, Part I.). This quantity of wheat land may be selected out of 33,933,766 acres of land in the United Kingdom now used as pasture, with a margin for rotation of crops every four and a half years. As the importation of wheat would not be entirely stopped, this margin would probably more than cover the actual requirements. These 7,150,000 acres at an average yield of 30.09 bushels per acre, and 60 lbs. per bushel, obtained in the United Kingdom on an average of years would produce 5,762,740 tons of wheat, the quantity of wheat and wheat equivalent of flour imported in the year 1904. This quantity added to the home

production for the same year would supply the wants of the United Kingdom for that year and would leave the citizens independent of foreign supplies for the bread they use.

153. The economic reasons for the production instead of the purchase of the wheat we use will be understood from the following considerations. Every patriotic thrifty business man who owns a property, a business, or a manufacturing concern, will endeavour to obtain from it the greatest possible yield in national wealth which can be obtained if he can procure a profit for himself, increased with the money value of the yield. If he cannot do so, he has, in justice to himself, to subordinate the greater yield to the greater profit.

154. The application of this principle to the productions of the citizens who own or cultivate the lands within the State would encourage the production of wealth from these lands as a means of providing healthy occupation for the industrial population.

155. The largest part of the lands of the United Kingdom has been turned into pasture, and greater wealth-producing crops have been abandoned, because agriculture, the greatest of national industries, has been made unprofitable by untaxed competition and by the discouragement (equivalent to the prohibition) of the growing of certain crops, such as wheat, beet with its products, and tobacco, which when wanted are produced by foreign labour.

156. The pastoral use of land employs only a small proportion of labour compared with cultivation, and it does not pay to cultivate some of the

greater wealth - producing crops, which give additional employment and healthy occupation. Labour for this purpose has become scarce through emigration, because the cultivators cannot afford to pay the wages obtainable in other countries or in other industries. Statesmen of the various political parties have attempted to increase the number of small owners but in doing so they generally ignore the principle which controls the whole question, that people will not readily take up or continue any occupation which does not pay, if they are qualified to carry on another which pays better or which is less laborious or more attractive.

156A. The owners of rent have been blamed for the failure of tenant farmers to make a profit out of agriculture, but it will be seen that if the whole rent had been abandoned it would not have paid in many instances to cultivate the land which would have required the paying of sufficient wages to attract labour from other industries. The conditions of transit necessitated by there not being enough goods produced or carried to make a reduction in the rate of transit possible, and the conditions of unfair competition created by free importation were alike responsible for these unprofitable conditions of agriculture.

157. If an acre of land can be made to yield £7 5s. *od.* by the cultivation of wheat, which previously yielded only £2 15s. *od.* as pasture, the person who would grow wheat under present conditions of free imports would not make any more profit on the yield of £7 5s. *od.* for wheat than he would on the yield of £2 15s. *od.* for

pasture, probably not as much, though he would require a greater amount of labour in certain seasons. He not only receives no inducement from the State, but is actually prevented by unequal conditions through foreign preference from producing the greater yield, though by this process he would enrich his fellow citizens and the State by the creation of £4 10s. *od.* of additional wealth which would be principally expended in wages, for every acre he so used. The system which enforces such procedure is called economic, but its economy is that of a world State, not of a nation taxed and responsible for the management of its own affairs; and it is equivalent to the economy of the timid miser who wrapped his talent in a napkin and had it taken from him because he failed to use it productively in order to increase it with profit by trading.

158. The owners and cultivators of British land, and all other employers of labour, are entitled not only to be put on an equality with foreign producers but to have a preference as citizens by requiring foreign produce imported in large quantities which is of such a nature that it could be produced in the United Kingdom, but not otherwise, except it be used as a substitute, to contribute to British national taxation and local rates a sum not less than the taxes and rates which would be contributed by the industry if carried on at home and by redistribution in spending the earnings obtained from it, because that amount will have been lost to the United Kingdom in taxes, rates, and trade by the foreign purchase, in addition to the loss of wages and employment.

159. The moderate taxation of such imports would encourage home industry, but would not wholly exclude foreign produce. The laws making such provision possible would be called protective and would be condemned by the advocates of Free Trade, because they would protect the industries by which the population obtain their livelihood. The existing Free Trade regulations are enforced by those who hold these views, because they fail to perceive the economic effect of this system on production, employment and taxes.

160. The alternative procedure they adopt in enforcing conditions for the free admission of goods produced abroad by foreign labour is protective also, inasmuch as it protects the consumer. The Free Trade system is, therefore, essentially partisan when it penalises producers for the benefit of consumers.

161. But this procedure is self-destructive, for these classes are penalised also, inasmuch as the largest part of home expenditure incurred in production consists of the wages of labour, which the producer cannot continue to use when trade is discontinued or becomes unprofitable.

162. It has been stated that "the object of Protection is to encourage home industry." It has also been affirmed that "if industry is encouraged it is by the raising of prices," and that "if prices be not raised, industry will not be encouraged."

163. The enforcement of fiscal provisions which produce a rise in prices has, therefore, been aptly described by another writer as "Protection in a nutshell."

164. It may be observed in reply that these plausible affirmations do not state the whole case, and that as much of it as is stated is misleading, because it is assumed that the duty collected on imports is added to the price of the goods without credit being given for the duty in the national Treasury in reduction of taxes.

165. This species of argument permeates the whole Free Trade controversy. By it an affirmation is made which is perfectly true in the particular instance, but a universal conclusion or application is made which is not warranted by the limited premises.

166. This problem then becomes a great national equation with some of the essential factors necessary for a true solution omitted from it. Some of these omissions are suggested by the following results of the imposition of an import tax. If prices be increased by the imposition of a tax, that tax will reach the Treasury to the credit of the taxpayers. If it reaches the Treasury it will relieve the taxpayers to an extent not less than the amount of the increase which has been made to the price of the imported taxed commodities on the quantity imported. This does away with the necessity to raise taxes from the same people to that extent from other sources, equitable readjustments being made by the responsible Minister.

167. And the influence does not end there, for if prices be raised by the imposition of a tax, industry will be encouraged, and the additional

home industry created thereby will yield increased taxes which will counteract any rise in price on the quantity produced at home, and these will come to the relief of the taxpayers, and reduce the incidence of taxes.

168. It will further distribute an increased amount of wages, which will give both additional employment and increase the rate of wages in conformity with the law of supply and demand. In saying this it is assumed that the British Minister responsible for the change will readjust the incidences of taxation, in order that no class of citizens may be inequitably affected or unfairly taxed. The placing of a tax on imports does not, therefore, of itself add to the burdens of the taxpayers.

169. It simply provides the money necessary to be raised to manage the affairs of State, and by the readjustment of the incidence, these taxes may be assessed in a manner which will encourage home industry and give additional employment to the population without materially increasing the burden of taxation, the cost of collection or the cost of production. The home producer under the altered conditions would procure an enhanced price, but only the natural price which should prevail within the taxable area of the State as regulated by the value of home labour, the incidence of taxation, and the supply of capital. This alternative would restore to the home producer the equal justice to which he was entitled as a citizen taxpayer, which had been previously denied to him by the existing British fiscal system.

170. The consumer under these conditions would be compensated by reduced taxes and enhanced earnings of which the industrial classes would receive three pounds for every pound earned by the employment of capital, and four and one-half pounds for every pound earned as the remuneration for management, sales and skill in carrying on the industry. For every £100 of increased sales the earnings for services rendered would on the average amount to £44.

171. An increase in the cost of production, in so far as influenced by tariffs, would be counteracted as in the past by inventions, by increased output, and by a reduction in home taxes produced by the yield of taxes on imports. The producer would be further compensated by a reduction in foreign tariffs, which would be brought about by regaining our bargaining power as a nation, accompanied by more remunerative prices. If these were obtained the producer would be in a position to pay higher wages without endangering a stoppage of the industry, which a similar advance obtained by a strike would first accomplish to the serious loss of both parties.

172. In further confirmation of the contention that the earnings of the population would increase in a greater ratio than a tax imposed to improve trade, on the principle of taxing imports capable of being produced at home to the same extent as home productions suffer in consequence of the non-taxation of imports of similar goods, I refer to Table A, Part II., and Table G.

By Table A, Part II. (Col. 3 No. 29), out of a total trade in agriculture of	£	£
And the redistribution of the expenditure (Col. 8, No. 29)	52,651,500	
	28,412,816	
Making a total of ..	<u>£81,064,316</u>	
The earned incomes for wages would be, in the original process (Col. 3, No. 23)	11,229,996	
And in redistribution (Col. 8, No. 23)	6,411,443	
Making a total of ..	<u>£17,641,439</u>	
The earned incomes for salaries in the original process (Col. 3, No. 24) would be	3,494,793	
And in redistribution (Col. 8, No. 24)	2,447,204	
	<u>5,941,997</u>	
Total earned incomes would amount to		<u>£23,583,436</u> = 30% of sales.
The Government taxes would be, in original process (Col. 3, No. 22) ..	792,664	
And in redistribution (Col. 8, No. 24) ..	720,720	
Total Government Taxes ..	<u>£1,513,384</u>	= 1.9% of sales.

The earnings arising out of this agricultural trade and the redistribution of them would, therefore, be 15.5 times larger than the whole tax, by which sum the price of the taxed commodity is claimed to be increased by its imposition.

In the manufacture of clothing set out in

Table G, out of a total	£	
original trade and		
the redistribution of		
the expenditure of		
production (Col. 6,		
of No. 27) of ..	1,549,400	
The earned incomes		
would be for wages		
(Col. 6, No. 22) ..	377,257	
And for salaries (Col. 6,		
No. 22)	91,527	
Making a total of ..	468,784	= 37% of sales.
The Government taxes		
set out in Col. 6, No.		
21, would amount to	34,472	= 2·2% of sales.

The earnings out of the manufacture of clothing, and the redistribution of them, would be 13·6 times larger than the tax. The average earnings arising out of agriculture and clothing, which form the principal part of the expenditure incurred in support of the industrial population would, therefore, be approximately 15 times larger than the whole tax by which sum the price of the taxed commodity is claimed to be increased by its imposition.

173. It follows from this that the earned incomes accruing to the population from trade increased by the imposition of an import tax would increase to a far greater extent than their reduction by imposition of the tax, being about 15 times greater than the incidence of the whole of the taxes now assessed on the value of productions, assuming the supply of labour to remain stationary, but as the increased earnings would attract additional labour, and as the additional profit would increase home production, which would be

benefited equally with the national revenue from goods imported, and herein otherwise explained, the proportion or ratio of the earnings would be somewhat reduced below the average of 15 per cent. approximate increase.

174. If we assume for the purpose of illustration that 7,150,000 acres of pasture land have been brought into cultivation for wheat, that every acre so cultivated would create £4 10s. 0d. of additional wealth within the country in excess of its use as pasture, and that the profits of the cultivator would be increased under the new conditions by 10s. per acre in consequence of enhanced price, the cultivator would receive a little extra compensation for additional labour and the increased yield would represent £5 per acre of extra wealth for each acre so used. Under these conditions the 7,150,000 acres required to produce the wheat we purchase

	£	£
Would yield every year (Table A, Part II., Col. 7, No. 29)	29,479,490	
Add for extra 10s. per acre .	<u>3,575,000</u>	33,054,490
By Table A, Part III., Col. 19, No. 36, the redistri- bution of this expenditure would create an additional home trade amounting to	28,412,816	
And the extra 10s. per acre for additional profits which would be earned and expended would add	<u>3,455,640</u>	31,868,456
Thus producing an ad- ditional creation of wealth in the United Kingdom every year of		<u>64,922,946</u>

	£
The additional earned incomes included in this trade would (by Table A, Part II., Col. 9, Nos. 23 and 24) amount to	15,537,571
There would be added for enhanced wages and the redistribution thereof, which would be both earned and expended by the population	1,886,882
Total	<u>£17,424,453</u>
175. The local rates would (by Table A, Part II., Col. 9, No. 21) amount to ..	£ 571,527
Which would be increased with extra profit and the redistribution thereof by ..	69,406
Total	<u>£640,933</u>
The Government taxes would (by Table A, Part II., Col. 9, No. 22) amount to ..	£878,946
This would be increased with extra profit and the redistribution thereof by ..	106,739
Total	<u>£985,685</u>

These figures and many other interesting items of information are fully set out in, or derivable from, Table A, Parts I., II., III. and IV., which also show the amount of capital required to be employed in the various processes (see Table A, Part II., Col. 9, Nos. 30 to 35 and 36).

The Tables marked A, Parts I., II., III., and IV., will be found in the Appendix at the end accompanied by explanatory notes. These illustrate the amount and nature of the expenditure

incurred in the production of cereals, and in the re-spending of that outlay in the support of those who earn it.

176. It is well known that the wages paid in any industry are used for the personal support of those who earn them and of others depending on them. The same principle applies to every other item of expenditure incurred in production, whether these items be goods, taxes, or other expenses. This expenditure is made in payment of wages, in the purchase of goods produced by wages, and in outlay incurred in carrying on other industries.

177. If an industry be carried on, the redistribution of the expenditure incurred in it will inevitably follow, because the people to whom the expenditure is paid must be supported, fed and clothed, which is accomplished by expending what they earn in purchasing the productions of subsidiary industries, which give employment to the people engaged in them. In this redistribution the citizens will use the products of each other's labour, but the quantity produced will be limited to home requirements, except such goods as are produced for exchange by exportation. If the industry be discontinued or not started, neither the original expenditure nor the redistribution will be distributed, and the population will be impoverished in a corresponding degree. It follows that if the production of 5,762,740 tons of wheat used by the population for one year in addition to the home production be purchased from abroad instead of being produced, the several

analysed items set out in Table A, Part II., Col. No. 7 will cause a loss of the redistribution of the various items set out in Col. No. 7, as analysed in Table A, Parts III. and IV.

The first item will be the omission to use £4,647,500 worth of seed and the expenditure which would have been incurred in the production of the seed required, as set out in Table A, Part II., Col. 7, No. 12. For the first year this will be set aside for consumption and will not require to be produced in subsequent years. The analysis of these items in Table A, Part II., Col. 7, will be found in Table A, Part III., Col. 19, Nos. 21 to 48, with the capital required and the number of people employed set out at foot of each column. The same observations apply to each item in Table A, Part II., Col. No. 7. A detailed analysis of each of these items will be found in Table A, Part III., Cols. 1 to 19, Nos. 21 to 48.

178. Table A, Part II., Col. 9 shows a loss in trade per annum to the United Kingdom of £57,892,306, and deprivation of employment for 309,040 people incurred by purchasing and importing free of duty instead of producing the wheat we use. Calculated on the cultivated acreage of the United Kingdom returned at 47,671,000 acres (C. D. 2594, 1905, page 11), and of Ireland returned at 14,629,523 acres (C. D. 4352, 1908, page 6) the annual loss sustained through failure to produce the wheat required in the United Kingdom would thus amount to £40,125,130 for Great Britain and £17,767,176 for Ireland.

While this loss is common to both countries it

has been more injurious to Ireland as an agricultural country without compensating advantages possessed by Great Britain.

Many believe this substantial grievance could be better remedied by Imperial Import Duties designed to secure equal treatment for all citizens than by placing the Irish portion of them under a local legislature actuated by sentiment, liable to encourage jobbery, to undermine the prosperity of successful manufacturing districts, and which would place the progressive elements permanently under the domination of the unthrifty.

178A. The Free Trade system which produces this grievance has been continued mainly because the population, which possesses voting power, has been trained to believe that an import tax on cereals would produce a rise in the price of bread. On the basis of 10s. per acre, set out in paragraph 174, this would amount to £3,575,000 on the whole wheat purchased, and would represent 1s. 8d. per annum per head of the population. A similar advance on the home produce (Table A, Part I., Col. 6) would amount to £703,310, and represent an advance of 4d. per head, making together a total advance of 2s. per head, assuming that there were no compensating advantages, which would be an incorrect assumption.

178B. The inconsistency of this procedure is shown by the attitude of the defenders of this system towards the legislation affecting men engaged in coal-mining who are fully organised to demand what they believe to be their rights, and by virtue of which the price of coal—a

commodity as necessary to the working-man as food—has been raised from 3s. to 5s. per head on the same population without any serious protest.

178c. In further illustration of the inequity of the objection to raise revenue by an import duty on cereals I refer to Table A, Part I., Col. 7, from which it will be seen that the total value of wheat which provided the United Kingdom with bread in 1904 was £47,105,692, and by the Table in paragraph 285 the earned incomes from imported commodities capable of being produced at home and the redistribution of them would amount to £223,636,466. Had these wages been earned they would have been sufficient to provide five times over the whole wheat, which would have provided the bread bill of the United Kingdom in that year; but the free importation system was maintained by the fear of a rise in the price of bread of 2s. to 3s. per annum per head of the population, payable out of incomes which would probably increase by fifteen times as much per head (paragraph 172), or three times as much, assuming the average family of five to be supported by only one bread winner.

178d. If we had produced the £237,373,196 of goods which we imported and which were capable of production in the United Kingdom, the earnings arising out of the additional industries, the result of protection by import duties, and the redistribution of these earnings would have compensated the citizens many times over in wages, irrespective of the yield in taxes which these increased industries would have produced in relief of general taxation.

CHAPTER VII

CAPITAL EXPENDITURE AND WORKING EXPENDITURE IN PRODUCING CLOTHING MATERIAL.

179. The production of clothing may be taken as the most important branch of industry after providing the food necessary for maintenance. Under the existing Free Trade system the clothing we require might be all produced in foreign countries and imported free of duty. For the purpose of illustrating the benefits conferred on the community by the production instead of the purchase of it in a manufactured condition, there has been selected the production of £1,000,000 worth of clothing material of the various kinds, and in the approximate proportions used by the population. These goods can either be purchased from abroad in the condition of finished webs from which garments are made, or, with the object of securing equal justice for British citizens, produced in that condition within the United Kingdom from raw material by the employment of our own population and by the purchase of as much foreign raw material as cannot be produced in this country.

180. To carry out the provisions for home production fiscal arrangements would require to be made so that such raw material as is incapable of being produced at home, and does not there-

fore enter into competition with home produce, should be admitted free of taxes, and that such foreign raw material used in large quantities as is capable of being produced in our own country as a direct product of a principal or staple industry, but not in cases where it is only a by-product, such as hides, and competes with home productions, shall compete on equal terms by bearing on its importation not less taxes than would have been contributed by these goods and by the redistribution of the earnings arising out of their production had they been produced within the taxable area of the United Kingdom.

181. This would represent equal treatment for the citizen and the foreigner, and would ensure equality in a far truer sense than the existing partisan fiscal system called Free Trade. As the economic advantages of giving effect to these principles are liable to be controverted it is desirable to adduce evidence in support of them.

182. This branch of enquiry will therefore take the form of ascertaining whether it is better for the population to produce this £1,000,000 worth of clothing material, or to purchase the goods at a price, say, for the purpose of illustration, 10 per cent. cheaper.

183. The Free Trade system is supported and perpetuated on the assumption that the comfort and prosperity of the population are best secured by enabling the citizens to purchase and import free of duty the goods they require, instead of producing them if the purchase can be effected at a lower price than the home producer can afford to

sell them for under the conditions of British labour and the incidence of British taxation. In practice, purchases are frequently made when no restrictions are imposed without any such reduction in price and without superiority of pattern or quality.

184. The assumption that it is best to buy in the cheapest market is a plausible and forcible influence in support of the Free Trade system, because it appeals directly to a saving of the financial resources of the people. But it should not be overlooked that where these resources are being diminished by daily outlay the replenishing of them is as necessary for the comfort of the citizens as the saving of them, and this replenishment can only be supplied by the earnings of industry. To ascertain the truth or falsity of the assumption that "it is best to buy in the cheapest market" a careful examination and an intelligent comprehension of the various processes through which the goods pass during their production is essential.

185. In order to appreciate the benefits conferred on the population by the production of £1,000,000 worth of clothing material, as distinguished from the purchase of it in a manufactured condition, it will be necessary to enquire into and to minutely examine the nature of the outlay incurred in the numerous processes which require to be carried out in the production of the goods.

186. If the goods be purchased from other countries neither the buildings nor machinery necessary for their production will be required ;

but if they are produced within the State, both the buildings and machinery will be absolutely essential.

187. If it be decided to produce them, the first outlay will be a capital expenditure of £230,000 in buildings (Table B, col. 1A, No. 28) and £365,500 in plant and machinery (Table B, col. 1A, No. 34), making a total capital expenditure of £595,500 (Table B, col. 1A, No. 35). If the condition of trade be rendered unprofitable by home or foreign competition, or by industrial warfare, a large proportion of this capital expenditure would be unused or lost, and it would become a permanent burden on the owner to preserve it from decay. The 3,950 tradesmen (Table B, col. 17, No. 35) who each receive one whole year's wages for the erection of the buildings and machinery, and for the production of the materials with which they were erected would be supported for that period out of this capital expenditure. The capitalist on the other hand who expended his saved earnings for the purpose of procuring interest thereon in a manner which would enable his fellow-citizens to earn three pounds for every pound he earned in the working of the industry, would, by unprofitable conditions, be denied the power to do so by stoppage of the industry.

188. This capitalist, "once bitten, twice shy," would not repeat the experiment under a continuation of similar conditions. Instead of expanding the industry by additional outlay as he would likely do under profitable conditions, he would remove as much of the capital as is

represented by machinery and plant and export it from the disturbing locality or country.

We will, however, assume for the purpose of illustration that the British capitalist has not found out the tendency of his fellow-citizens to appropriate the rewards of his personal genius, thrift and enterprise, and that he takes the risk and erects the necessary mills and factories at a cost of £595,500.

The accompanying analysed Tables (B, C, D, E, F and G in the Appendix) will illustrate the benefit which the community obtains from the expenditure of capital and the working of the industry in the subsequent processes of production.

189. The rotation of industry in the form of the redistribution of the expenditure incurred in the first production of goods by staple industries is only carried out to the first degree in these tables. It is necessary to state, however, that it does not stop there.

The effect of the rotation of industry on the industrial community in any district in which it is successfully carried on may be illustrated by the waves or gradually-increasing circles which a pebble makes when thrown into the water, or by the yeast which, when put into contact with the dough, leavens the whole lump and makes it a living mass.

EXPLANATION OF THE TABLES OF THE PRODUCTION OF CLOTHING.

190. Table B, Parts I and II, shows the analysed capital expenditure incurred in the

production of the materials and the erection of mills and factories capable of turning out £1,000,000 worth of clothing material in one year, requiring £1,360,000 of capital to transact the business and employing 3,850 persons of all kinds (as set out in Table D, col. 44, Nos. 16, 28, 29, 32 and 33).

Table B, Part I, shows the analysed expenditure incurred in the erection of the buildings, from the making of the brick and the quarrying of the stone with which it is erected until the building is completed by the contractor in a condition to receive the machinery. The various columns in this table set out the nature of the expenditure incurred in the several trades employed in the erection of this building.

Table B, Part II, shows an analysis of the expenditure incurred in the production and erection therein of the machinery, from the mining of the iron ore until the finished machinery produced by the foundry and engineering works is erected and in a condition to commence production. The various columns in this table show in analysed form the nature of the expenditure incurred in the several branches of trade required to produce and erect the machinery. If this outlay be incurred the capital expended will be employed in industry. The nature of the expenditure, the number of people employed and trades benefited by it are fully explained in these tables.

191. It is usual for Socialist agitators and superficial politicians to abuse capitalists and to suggest to their disciples that the present owners

ought to be deprived of these properties by the community. Their motto is "These are the heirs, let us rob them that the inheritance may be ours." All such comments, although they may be made in good faith and with the positive assurance of inspired dogma, are the outcome of a denial of the moral right to ownership, and of profound ignorance of productive industrial conditions, for people do not become capitalists in the sense in which they are abused and their property coveted without being enormous benefactors of their fellow-citizens during the process of acquiring it, nor until practically the whole amount of this capital has been re-expended in wages, local rates, national taxes and in other forms of expenditure which have been already received and used by these complainants and their fellow work-people. If these despised capitalists had not saved their earnings and had not chosen to expend them in this manner, these wages and other forms of outlay would not have been obtained. If anyone doubts the truth of these assertions he is invited to examine and to study carefully the operations involved in the transactions of Table B, Parts I and II. The people employed in the production of the materials and the erection of this property earn the wages set out in Columns 12 and 13 of Table B and the wages of expenditure set out in other columns.

CHAPTER VIII

THE ROTATION OR REDISTRIBUTION OF EXPENDITURE INCURRED IN INDUSTRY.

192. The money earned in the original processes of industry will be spent in the personal support of the people employed and of those depending on them in the form of food, clothing and other household commodities which require to be produced. In their production the expenditure incurred becomes redistributed in rotation of trade among the people employed in producing and selling them. An illustration of the redistribution of such expenditure will be found in Tables E and F in the Appendix. All such expenditure may be described as the "redistribution of the expenditure incurred in original production," as previously explained in reference to agriculture. It will be readily understood that if the original expenditure be incurred, the redistribution of that expenditure in the promotion of subsidiary industries will necessarily follow, and that if the industry be not started, or after being commenced has to be abandoned because of unprofitable conditions, or for other causes, the earnings arising out of the redistribution of expenditure and the employment which it gives will be lost to the population, as well as the earnings arising out of the original production.

193. A detailed analysis of the redistribution of the items set out in Table B, Parts I and II, is

not included in these tables, but it is similar in form to Tables E and F and the total of the actual ascertained analysis of the redistribution of expenditure in Table B, Parts I and II, is set out in Line 36 of Table B. The capital expenditure set out in Table B and the redistribution thereof shows the following analysed expenditure :—

Raw material (foreign)	..	£54,134	£
Raw material (home)	.. ..	84,729	
			138,863
Coal	.. .. .		126,541
Light	.. .. .		14,455
Freight	.. .. .		37,828
Railway carriage and cartage			79,807
Insurance (not including accident and invalidity and national)	.. .. .		9,893
General Expenses	.. ..		20,438
Subscriptions	.. .. .		8,577
Local rates	.. .. .		20,328
Government taxes and stamps			32,811
Wages	.. .. .		443,107
Salaries and commissions	.. ..		83,509
Rents on £1,392,000 capital expended	.. .. .		61,828
Interest on £1,955,700 capital employed	.. .. .		98,156
Working expenditure	.. ..		£1,176,141
Viz., First process	.. ..	£595,500	
Redistribution	.. ..	580,641	
			£1,176,141
Employing 6,770 persons for one year.			

Having thus shown the nature of capital expenditure incurred in the erection of mills and factories which would produce £1,000,000 worth of clothing material in one year we find the

capital brought into use for the purpose of erection is £708,000 (Table B, col. 16, No. 35), and for the redistribution of the expenditure incurred £1,247,700 (Table B, col. 16, No. 36) additional capital is required, making together a total of £1,955,700 (Table B, col. 16, No. 37). To this has to be added £1,392,000, the capitalised value of £61,828 rents paid out. The number of people employed in these industries for one year would be 6,770 (Table B, col. 17, No. 37).

194. The mills having been erected are now in a position to commence production. Detailed tables of the production of each of the classes of goods worn as stated in Table D are not given, but Table C is a specimen of the production of one of these classes consisting of goods manufactured from flax. Part of it up to the production of bleached linen, Col. No. 5, is the basis of Cols. Nos. 40 and 41 in Table D, in which the additional home expenditure (contained in Table C, cols. Nos. 6 to 9) incurred in making up and selling the goods is omitted. Table C shows an analysis of the production of £60,200 worth of linen wearing apparel (Col. 10, Nos. 13 to 30) from the purchase of £710 worth of foreign flax seed (Col. 1, No. 13) sown on 714 acres of land (Table C, col. 1, Nos. 13 to 30), and shows details of the various processes through which the goods pass until they are finished and sold as wearing apparel. In actual experience the whole produce of flax is not carried out to the full extent of made-up wearing apparel as set out in the table.

A summary of the analysis of the redistribution

of the expenditure incurred in the original production and sale of the goods in the United Kingdom amounting to £59,490 is set out in Table C (col. 11, Nos. 13 to 30).

195. The original processes and the redistribution thereof represents a total British trade of £119,690 (col. 12, Nos. 13 to 30), as follows :—

	£	
Foreign raw material	2,877	
Home goods, the product of other industries	19,710	
Coal	3,391	
Light	994	
Freight	2,239	
Railway carriage and cartage	5,181	
Insurance (not including acci- dent invalidity and national)	937	
General Expenses	4,882	
Subscriptions	598	
Local rates	1,885	
Government taxes and stamps	2,585	
Wages, salaries and commissions	50,394	
Rent of capital invested in land and buildings	£ 5,745	
And interest on capital employed in production (amounting together to £427,000) ..	18,272	
		24,017
Total working expenditure ..		£119,690
Viz.,		
Manufacturing process ..	60,200	
Redistribution	59,490	
Total		£119,690

To produce this requires a total capital of £427,000 (Table C, col. 12, No. 35) and employs 1,070 persons for one year (Table C, col. 12, No. 36).

196. Table D is an analysed summary of the

production of £1,000,000 worth of assorted clothing material in one year, worked out for the various classes of goods set out in Table D on the same lines as Table C. It contains the approximate proportions of the various materials from which clothing is made, viz., 38 per cent. of woollen goods, 28 per cent. of cotton, 20 per cent. of silk, 8 per cent. of leather and 6 per cent. of linen goods, which amounts to £60,000 (Table D, col. 41, No. 16). To produce this £1,000,000 worth of clothing would require the use of £1,360,000 of capital (Table D, col. 44, No. 32), and would employ 3,850 persons for one year (Table D, col. 44, No. 33). In the production of this £1,000,000 worth of clothing material there would be expended in wages, £217,574 (Table D, col. 44, No. 12); in salaries, £34,376 (Table D, col. 44, No. 13); in local rates, £6,280 (Table D, col. 44, No. 10); and in national taxes, £5,942 (Table D, col. 44, No. 11). All this expenditure, if incurred in this country, would be again expended in support of the people employed and of those depending on them and in the purchase of other goods used.

197. An analysis of the redistribution of this expenditure in production is set out in Table E, but a portion of this table, which consists of the personal expenditure incurred in the support of the people employed, as represented by Nos. 17 to 27, only classified therein, is analysed in Table F, and the total £207,350 of this classified expenditure, Table F, is again carried into Col. 51 of Table E to complete the analysis of the redistribution of the

earnings arising out of the original processes of the production of £1,000,000 worth of clothing material.

198. The following concise summaries of expenditure and redistribution arising out of the production of £1,000,000 worth of clothing material are given in order that readers not acquainted with production accounts may be able to follow the arguments and conclusions which they illustrate.

ANALYSED SUMMARY OF THE EXPENDITURE INCURRED IN
THE PRODUCTION OF £1,000,000 WORTH OF CLOTHING
MATERIAL, AND IN THE REDISTRIBUTION OF THE
EXPENDITURE INCURRED IN IT.

Description of Expenditure.	Original Process. Table G, Col. 4.	Redistribu- tion. Table G, Col. 5.	Total. Table G, Col. 6.
	£	£	£
Foreign raw material ..	450,600	39,581	490,181
Home goods, the product of other countries ..	156,476	52,238	208,714
Coal	18,372	27,760	46,132
Light	5,488	11,703	17,191
Freight	7,718	12,878	20,596
Railway carriage and cartage	15,346	28,725	44,071
Insurance (not including accident and invalidity and national)	3,922	5,730	9,652
General Expenses	21,114	11,378	32,492
Subscriptions	2,978	5,419	8,397
Local Rates	6,280	14,400	20,680
Government taxes and stamps	5,942	28,530	34,472
Wages, salaries and com- missions	251,950	216,834	468,784
Rent land and buildings .. £ 7,684			
Interest 46,130			
	53,814	94,224	148,038
Total	£1,000,000	549,400	1,549,400

REDISTRIBUTION OF EXPENDITURE 107

Original capital employed £1,360,000

Redistribution, capital employed 1,864,000

Total £3,224,000

Original process employing 3,850 persons for one year.

Redistribution employing 3,075 " " " "

Total persons employed 6,925

SHORT ABSTRACT OF ABOVE TABLE WITH REFERENCES.

Description.	Production or Trade.		Capital required to Produce.		People Employed One Year.	
	Amount £	Reference.	Amount £	Reference.	Number.	Reference.
Trade in original production.	1,000,000	D, col. 44, No. 16	1,360,000	D, col. 44, No. 32	3,850	D, col. 44, No. 33
Trade in redistribution of home expenditure.	549,400	E, col. 52, No. 16	1,864,000	E, col. 52, No. 34	3,075	E, col. 52, No. 33
	1,549,400	Total Trade	3,224,000	Total Capital	6,925	Total People

CHAPTER IX

THE BENEFITS CONFERRED ON THE INDUSTRIAL POPULATION BY THE PRODUCTION OF £1,000,000 WORTH OF CLOTHING MATERIAL COMPARED WITH THE SAVINGS ACQUIRED BY BUYING THE GOODS IN THE CHEAPEST MARKET IN A MANUFACTURED CONDITION.

199. In comparing the production with the purchase of £1,000,000 worth of clothing material it will be readily understood that neither the original expenditure of £1,000,000 nor the redistribution thereof would take place if the £1,000,000 worth of goods were purchased 10 per cent. cheaper, say at the price of £900,000 from other countries in a manufactured condition.

An analysed summary of the capital expenditure, of working expenditure and of the redistribution of same, together with the amount of capital necessary to transact the business, and the number of people who would be employed to produce the goods, is set out in detail in the various columns of Table G. This table also contains a comparison of the analysed expenses of the production of £1,000,000 worth of clothing material, with an analysis of the benefits conferred by the purchase of a similar quantity of foreign-made goods acquired at an assumed price of 10 per cent. cheaper.

200. This would amount to £900,000 and would show £100,000 saved by the purchase. Under

these conditions the British producer might retain the trade by selling his goods in competition with the free importation at £900,000, but in order to do so, and continue to trade, it would be necessary for him to reduce the cost of production by £100,000. These reduced costs are set out in Table G, col. 11, but they could only take place on items under the control of the producer. An equitable and proportionate distribution of the £100,000 in reduction of charges under the control of the producer would show a reduction in wages of £72,270, in salaries of £11,418, and in interest on capital, £14,322. This would reduce the dividend on £1,360,000 of capital required to transact the business from £4 per cent. to £3 per cent. If, however, the producer happened to be unable to reduce wages and other charges in consequence of trade combinations or other causes, the whole loss of £100,000 produced by foreign competition would fall upon him. Under these conditions his rent, being a fixed charge, would not be reduced. His profit of £46,130 (Table G, col. 4, No. 25) would be entirely taken away, and the reduction of £100,000 in the value of his sales would produce a deficiency on the year of £53,870, while the British Exchequer would lose £3,000 in income tax.

201. These conditions it must be acknowledged could not be continued, and if carried on for another year this £53,870 lost would have to be recouped in addition to the normal profit of £46,130 for the year. If, however, these unprofitable competitive conditions continued the indus-

try would have to be abandoned. In this event the greater part of the £1,360,000 of capital would become unprofitable, the £251,950 of wages and salaries (Table G, col. 4, Nos. 22 and 23), part of the cost of production, would be lost to the wage earners, who would be driven to seek new employment or to emigrate, yet the British Free Trade system is maintained by the public in the belief that such savings in purchase as this £100,000 represents is a real advantage which they gain in their dealings with foreign countries by the adoption of this financial system, whereas by doing so they lose £865,719 set out in Table G (col. 10, Nos. 12 to 26).

202. At first sight one cannot be astonished at their taking this view, but "things are not always what they seem," and it is desirable to enquire into the accuracy of these claims or the benefit to the community of cheap foreign purchases, especially when we find that, notwithstanding the apparent savings, extreme poverty exists in the United Kingdom side by side with great wealth. It is also desirable to enquire if the plausible Socialistic accusation that the rich are extortioners, who take more than their proper share of the rewards of industry, is true.

203. The lightening of the drain on the pockets of the people in purchasing what they require does not secure to them the comfort and prosperity they seek without the perpetual and liberal replenishing of their pockets out of the earnings of their employment in industry.

204. The statement that "it is best to buy in

the cheapest market" requires critical examination, for it is so true in relation to the transactions between individuals that it has commanded almost universal assent. For this reason it is most misleading, and probably no phrase in the English language has been responsible for more disastrous consequences to the people, for while it is true in relation to the dealings between individuals it is absolutely untrue in the complex or wider sense of benefiting the industrial population, in which sense those who use it for political purposes intend it to be applied, because it deprives them of an enormously larger sum in wages than the amount it saves them by purchasing cheaply.

In support of this statement I refer again to the analysis of production set out in Table G.

In this case the earned incomes from the production of £1,000,000 worth of clothing material and the redistribution of the expenditure incurred in it is (Table G, col. 6, Nos. 22 and 23)

Whereas the earned incomes from the purchase of £1,000,000 worth of similar goods for £900,000 including the redistribution of them only amounts (Table G, col. 9, Nos. 22 and 23) to

Showing a loss on earned incomes of But the production of the goods would yield local rates and government taxes (as shown on Table G, col. 6, Nos. 20 and 21)

Carried forward 55,152

Does not appear to consider at all the products of industry which is given in exchange for the imported goods. The theory seems so far as the disposal of the money goes. 115,041 of the money is an estimate of the money consumed but does not hold for a whole condition of trade. NSAP

468,780

115,041

353,743

353,743

Brought forward	£ 55,152	£ 353,743
Whereas the purchase of the goods in a manufactured state would only yield (Table G, col. 10, Nos. 20 and 21)	10,050	
Showing a loss in taxes, which has to be made good by the community on other items to make up the deficiency, of		45,102
This shows a total loss on earned incomes and on rates and taxes, of		£398,845
And deprivation of employment for 5,275 citizens for one year as set out in Table G, col. 10, No. 34, for every £1,000,000 worth of such goods imported free.		

205. The following examination of Table C will illustrate the absurdity of the universal application of this Free Trade maxim that "it is best to buy in the cheapest market."

- (a) If the spinner buys the £10,000 worth of flax (col. 2) which forms his raw material from a foreign country, he deprives his fellow citizens and taxpayers, who own and cultivate the land, of the wages and other items of expenditure set out in Table C, col. 1, less £1,963, the proceeds of 714 acres of pasture land, value £2 15s. per acre, which have ceased to be used as grazing, by growing flax on the land.
- (b) If the proprietor of the weaving factory, the details of whose expenditure are set out in Table C, col. 3, buys the £18,275 worth of yarn which forms his raw material from a foreign country he deprives those who receive the wages and other items of expen-

diture incurred by the farmer (Col. 1) (less proceeds of grazing as before) and those who receive the wages and other items of expenditure incurred by the spinner (Col. 2) of the various items set out in Cols. 1 and 2.

- (c) If the wholesale merchant, whose transactions are set out in Table C, col. 6, buys the £26,762 worth of bleached linen which forms his raw material from a foreign manufacturer, he deprives the wage earners, the owners of all other trades benefited, and the beneficiaries of taxes payable by the farmer (taxes on the value of pasture excepted), as in Col. 1; those of the spinner, Col. 2; those of the weaver, Col. 3; and those of the bleacher, Col. 4, of the earnings which they would respectively receive out of the industries as set out in Cols. 1 to 5 of Table C.

206. While, therefore, it may be best for the individual purchasers to buy in the cheapest market, it is not good for the State as the representative of the interests of the whole citizens to permit them to purchase untaxed goods produced by foreign labour, which are capable of being produced at home, when the doing of it subjects the British community to a greater loss in deprivation of wages and other earnings and makes it necessary to assess higher taxes for the management of the State than would require to be paid if these goods had been produced in the United Kingdom.

207. The fact that this particular instance, which could be repeated in many other cases, discloses a result exactly the reverse of what popular opinion attributes to it, shows the danger of relying on popular opinion and the absurdity of drawing general conclusions from limited data and treating them as infallible economic dogma.

208. It demonstrates also the desirability in an age of such far-reaching competition for a nation whose citizens live by production and commerce to constitute a State department with access to the Income Tax returns for the purpose of investigating the economic conditions of the production and commerce carried on by the citizens, not for the purpose of taxing their industries out of existence, which now appears to be the object of investigations by the State, but for the purpose of promoting profitable conditions, so that all the citizens may receive equal treatment and may have remunerative occupation. This department ought to be in charge of a Minister of Commerce with extensive experience of productive and commercial industry in all its intricacies and ramifications.

CHAPTER X

THE LOSS SUSTAINED BY THE INDUSTRIAL COMMUNITY THROUGH BUYING IN THE CHEAPEST MARKET.

209. The industrial community derive their power to buy from the earnings of the industry in which they are engaged or interested, and to purchase the goods produced in other countries, except by exchange of production measured by equal values, deprives them of the earnings included in the production of what they buy when these goods are capable of being produced at home.

210. This is inequitable until the value of wages and other charges included in the exports are balanced by similar charges in imports, and until the imports bear the same burden of British taxes as would have been contributed by the production and by the redistribution of earnings out of these imports had they been produced in the United Kingdom, when British imports are taxed on admission to foreign countries and imports of foreign goods are admitted to the United Kingdom free of taxes. Citizens should aim at purchasing what they cannot produce and pay for them by exchange of commodities which they do produce, and the State should provide fiscal regulations designed to give effect to this aim.

211. A comparison of Col. 4 with Col. 7 in Table G will show the comparative benefits to the country conferred by production and by purchase, and a comparison of Col. 5 with Col. 8 in Table G will show the comparative benefits conferred by redistribution of the expenditure incurred by the production and by the purchase of the goods respectively.

The total expenditure incurred in production and redistribution combined is set out in Col. 6, Table G, and the total of purchase and the redistribution of the savings by cheaper purchase of foreign goods combined is set out in Col. 9 of Table G. The difference between Cols. 6 and 9 of Table G therefore represents the analysed loss which the population sustains by purchasing from foreign countries in a manufactured condition, instead of producing £1,000,000 worth of the clothing material described in Table D, and the analysis of this loss is set out in Col. 10 of Table G.

An examination of Col. 6, No. 22, shows that	£
the wages of the production of £1,000,000	
worth of clothing material, and of the redistri-	
bution of the wages and other items earned	
amount to	377,257
And the wages arising out of the purchase and	
redistribution of a similar quantity of foreign	
goods amounts, by Col. 9, No. 22, to ..	91,436
The difference (Col. 10, No. 22) is loss in wages	
to the industrial population by purchasing	
in the cheapest market instead of producing	
the goods, and amounts to	£285,821

212. It will thus be seen that by far the heaviest part of the loss falls upon wages, so that pur-

chasing in the cheapest market what can be produced at home injures the industrial population more than the other classes of the community.

213.	£
Loss in Wages brought forward	285,821
The salaries for management and sales of the production and redistribution would amount (Table G, col. 6, No. 23) to	£91,527
And the salaries arising out of the purchase and of the redistribution of an equal quantity of similar foreign goods would amount (Table G, col. 9, No. 23) to	£23,605
The difference is, loss in salaries by purchasing in the cheapest market instead of producing the goods, and amounts (Table G, col. 10, No. 23) to	67,922
The total loss of earned incomes thus amounts to	£353,743

214.	
Whereas the total loss to capital in the United Kingdom amounts (Table G, col. 10, Nos. 24 and 25) only to	III,304

But this is more than recouped to the capitalist, who invests £2,506,000 in foreign countries, because the conditions of its employment are made unprofitable at home, and deprives 5,275 people of employment for one year (Table G, col. 10, Nos. 33, 34).

It follows from this that the penalising attitude adopted by Parliament and by the industrial population towards the investment of capital in industrial enterprises in the United Kingdom deprives labour from earning over £3 for every £1 capital is deprived of, and while labour lapses into unemployment, capital recoups itself from foreign investments, which labour can only do by emigrating to

It amounts to this. That special regulations must be such as to induce a sufficient amount of capital to remain at home so complete in a healthy manner for the available labour.

districts where services are more liberally rewarded than they can be in a Free Trade country.

215.

The local rates contributed by production and redistribution would amount (Table G, col. 6, No. 20) to	£
	20,680
And the local rates contributed by the purchase and redistribution of a similar quantity of similar foreign goods would amount (Table G, col. 9, No. 20) to	
	3,454

The difference is loss in local rates by purchasing in the cheapest market instead of producing the goods, and amounts (Table G, col. 10, No. 20) to	17,226
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This sum has to be levied as additional rates in order to meet local expenditure—less the expenditure on the additional trade.

216.

The Government taxes contributed by production and redistribution would amount (Table G, col. 6, No. 21) to	34,472
And the Government taxes contributed by the purchase and redistribution of a similar quantity of similar foreign goods (Table G, col. 9, No. 21) would amount to	6,596

The difference is a loss in Government taxes by purchasing in the cheapest market instead of producing the goods, and amounts (Table G, col. 10, No. 21) to	£27,876
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This deficiency in the yield of national taxes has to be made good by the assessment of additional taxes.

217. It will be observed that there is a distinction in the method of treatment adopted in Table A, Part II., respecting agriculture, and Table G, which shows the manufacture of clothing material.

In Table A, Part II., the analysed expenditure incurred in the production of a crop of wheat is compared with the benefits produced by the grazing which it displaces, whereas in Table G the analysed expenditure incurred in the production of clothing is compared with the alternative benefits arising from the purchase of it in a manufactured condition at a cheaper price, the redistribution of the respective expenditures in production being carried out in both cases.

218. It may, however, be objected that the people who would be employed in the new additional industries must not be assumed to have been doing nothing before they undertook to do this work; but it must also be conceded that there will be more work to do than before the new additional industries were commenced, and therefore an increased demand for labour.

*for a home
lab. not
necessarily
& stable
increase*

219. In neither of the tables is any credit given for work which the extra persons engaged in these additional industries might have been doing, and the wages they might have earned had they not been engaged in these new industries. As this is one of the staple arguments relied on by those who advocate the continuance of the existing Free Trade system, it is desirable to find out to what approximate extent it affects the conclusions drawn from this enquiry.

220. The figures in these tables are founded on the facts of experience in trade, and to insert in the tables comparisons with unknown quantities would destroy their value.

221. It is not essential for the purpose of this

enquiry that the alternative employment should be thus measured. It will be admitted that unemployment exists and that a large contingent of the strongest and healthiest of British citizens emigrate every year and enrich other countries with the education and experience which have been acquired at a considerable expense to the State and to the individual citizens.

222. By the introduction of the additional production contemplated by the protection of British industries from unfair foreign competition, unemployment would not only be reduced, but employment would be found for those who now find it necessary to emigrate. The standard of wages would also be increased without materially increasing the cost of production.

223. This cost would be kept down by increased output and by a reduction in the incidence of taxation, both in the original process of industry and in the redistribution of the expenditure incurred in it through the redistribution of industry.

224. If the wages lost to home labour by employment of foreign workers included in the goods we buy which are capable of being produced at home be ascertained on the basis of employment disclosed by the tables, it will be found that employment would be found for an enormous number of people. No doubt the demand for employment would arrest emigration, and would also attract additional persons who might immigrate to supply the demand, and in so far as it did so it would retard a rise in the rate of wages.

225. The first effect however of additional employment would be to provide occupation for the unemployed seeking work.

226. Those who are able but unwilling to work would have to be dealt with by compulsory regulations which would require them to earn their own living in places to be provided by the State so as to relieve the citizens from being taxed for their support.

227. We are not, however, dealing entirely with unknown quantities, for the quantity in question is the number of additional people required to be employed in the added industries, the capacity of the population to supply it and the wages which they would receive.

The able-bodied paupers who now live at the expense of the ratepayers, the unemployed who are supported by their friends, or out of penurious savings from discontinued occupation, and the fit and able-bodied emigrants who leave our shores every year to secure employment at more remunerative rates and advancement in other lands, are the people who form the unknown quantities deficient in the tables. These would be employed in the additional industries which would produce goods to take the place of goods now imported free of taxes and capable of being produced in our own country.

228. The number of the unemployed can, moreover, be determined with approximate accuracy. In so far as they would be able to supply the demand a national saving would take place of the amount now expended on their support, and their earnings

from employment in the new industries would be a national gain. In so far as they were insufficient to supply the demand an improvement in the standard of wages would be brought about by operation of the law of supply and demand.

229. If these numbers were ascertained it would be found that it would not be necessary to make any appreciable deduction from the loss by Free Trade shown in these tables for wages which are claimed to have been earned by the people when or if otherwise employed, and that a full comparison of the merits of the respective systems of Free Trade as experienced in the United Kingdom and Fair Trade, will require an addition to be made to the losses shown in the tables as the outcome of the existing system for paupers who are able to work, and for the amount spent in supporting the higher type of unemployed who have not yet been degraded by pauper conditions in consequence of being supported by their friends or by the wastage of previous savings.

230. The following figures represent approximately the loss which the State sustains through unemployment. The number of people engaged in all kinds of services in the United Kingdom on a population in 1901 of 41,458,721 is estimated at 18,260,000.

231. There were in 1906 seeking poor relief 1,089,000 persons supported at a cost of £16,741,000. A considerable number of these (not less than 300,000) would have been capable of taking employment in the additional industries. If they had been so employed they would have

saved the ratepayers £4,612,000 and would have earned not less than £12,000,000 in wages.

232. The unemployed members of the community who are willing to work but cannot procure it, and have not yet been degraded to the position of paupers because they are being supported by their friends or by previous savings, may be taken at not less than 1,000,000 persons whose earnings would probably amount to over £40,000,000.

Employment could easily be found for these additional people if the State were managed in the interest of the citizens as it should be, instead of being managed to conform to the opinions of theoretical doctrinaires in economic science.

232A. There is another feature which should not be lost sight of in considering the effect of increased trade on the employment and wages of the population. In districts in which a variety of industries is carried on the heads of families are not the only bread-winners, being largely relieved of the burden of supporting their families by occupation being found for every member who is capable of work, whether male or female. It is also known that the weekly wages brought in by the members of such families are often a great deal larger than the incomes on which middle-class families are obliged to support themselves. As a result it will be found that in every district in which several industries are carried on general prosperity exists. Those who seek to promote the well-being of the community should therefore encourage such industries and by this means avert unemployment and poverty.

CHAPTER XI

THE BALANCE OF TRADE BETWEEN THE UNITED KINGDOM AND OTHER COUNTRIES. HOW IT IS PRODUCED AND SETTLED.

233. Those who defend the British Free Trade system claim that British imports are settled for by British exports, and that the foreign investments of British citizens are paid for by exports of British merchandise on which they make a profit, the difference being assumed to be profits which they look upon as gain that enables us to revel in luxury. They also claim that those exports which they say pay for foreign investments are produced by the wages and other charges included in their production. This would meet the claims of tariff reformers to some extent, but not entirely, because in this event a single production would exhaust the British benefit so far as wage-earning is concerned except in the matter of dividends, whereas by the retention of the capital at home the whole capital sum would be reproduced in earnings by the British population on an average every two years (see table, paragraph 291).

234. But as British citizens are investing from £150,000,000 to £180,000,000 annually in foreign countries and as the visible exports are insufficient to pay for visible imports to the extent of

almost £210,000,000 per annum, there are substantial grounds for doubting the accuracy of the assumption that imports are paid for by exports.

235. This statement is therefore both indefinite and misleading, but the same question is put in a more explanatory form when it is stated that the excess of imports over exports (presumably those set out in the Board of Trade returns) represents the profit which British citizens make on foreign trade and foreign investments.

236. This means that the excess of imports over exports is paid for by the profits which British citizens make on their capital invested and on trade carried on in foreign countries and the colonies, which remain abroad and, by contra account, pay or satisfy the balances due for imports in excess of the value of exports on foot of the accounts between the United Kingdom and other countries with whom there are business transactions.

This claim appears to have been generally admitted without a serious attempt to ascertain its truth or falsity or to comprehend all that is involved in it.

237. Those who seek to weld this Free Trade system on the United Kingdom permanently endeavour to persuade the people that the amount of trade which it is possible for the citizens of the United Kingdom to transact with other countries is controlled by regulations equivalent to natural laws which prescribe limits to their commercial expansion that they cannot pass.

238. To understand this complex question it

will be necessary to enquire into the nature of the transactions included in imports and exports and the method of their accomplishment as they affect the profit or loss of British citizens and the employment of the population.

239. In doing so we shall find substantial reasons for modifying the usual opinions held in regard to the absolute accuracy of the foregoing assumption that imports are paid for by exports and that foreign investments are paid for by exports of British merchandise.

240. We shall also discover reasons for modifying the usual views held concerning the benefits conferred on the British population by buying imports in excess of the exports which pay for them, in order that they may be paid for with profits made by British capital invested abroad.

Such procedure is disloyal to the British industrial population who would be employed to produce a large proportion of the goods we import.

241. The extent of the resultant deprivation of employment will be hereinafter explained, but it is necessary to observe that the advocates of the system which deprives them of this occupation claim to be their greatest benefactors.

242. I have adopted the imports and exports for the year 1904 for the purpose of enquiring into and investigating this extremely intricate question, not because they are more favourable than other years but because the Board of Trade returns of this year were the latest published when I directed my enquiries to this part of the subject, and as I expended considerable time in

CORRIGENDA.

In paragraph 242, page 127, £70,304,281 of Re-exports are inadvertently omitted, and the paragraphs affected by it require to be amended as follows:—

	MERCHANDISE.	BULLION & SPECIE.	TOTAL.
The Imports were }	£551,038,628 CD2622 1905, p. 105	£45,563,927 CD2622 p. 171	£596,602,555
The Exports, including Re-exports, were }	371,015,321 " p. 67	46,302,832 "	417,318,153
Surplus Imports over Exports }	£180,023,307 Exports over Imports. £738,905 Total		£179,284,402

Paragraph 234	...	...	...	Substitute	£139,336,250	for	£210,000,000
" 244	...	...	...	"	179,284,402	"	249,588,723
" "	...	...	...	"	417,318,153	"	347,013,832
" 260	...	...	...	"	179,284,402	"	249,588,723
" 272 Table	...	...	...	"	371,015,321	"	300,711,000
" " Total	...	...	...	"	448,169,426	"	377,865,105
" " Balance	...	...	...	"	139,336,250	"	209,640,571
" 273 Table Dr.	...	...	...	"	147,391,679	"	217,696,000
" " " "	...	...	...	"	203,633,570	"	273,937,891
" " " Total	...	...	...	"	269,695,679	"	340,000,000
" " " Cr.	...	...	...	"	139,336,250	"	209,640,571
" " " Total	...	...	...	"	269,695,679	"	340,000,000
" 274, 275, 347 and 349, in each	...	...	...	"	269,695,679	"	340,000,000
" 276 c, page 144	...	...	...	"	203,633,570	"	273,937,891
" " " "	...	...	...	"	11,878,624	"	16,000,000
" 278, page 145 f	...	...	...	"	270,000,000	"	340,000,000
" " " "	...	...	...	"	5400,000,000	"	6800,000,000
" 280	...	...	...	"	371,015,321	"	300,711,000
" 348	...	...	...	"	203,633,570	"	274,000,000
Table "H," page 240 Dr. F.	...	...	...	"	371,015,321	"	300,711,000
" " " " " L.	...	...	...	"	147,391,679	"	217,090,000
" " " " " "	...	...	...	"	269,695,679	"	340,000,000

Although this correction reduces the excess of imports over exports it does not extinguish it, nor invalidate the conclusion that the excess, in so far as it consists of manufactured goods which could be produced at home, is a measure of the employment which British citizens have been deprived of. If these goods had been produced for original production there would have been increased redistribution, but the beneficial effect of both would be measured by the extent to which they would increase existing employment or remuneration without displacing employment which would otherwise be continued, and without diminishing the purchasing power of such remuneration.

procuring the data and working out the calculations involved I consider it unnecessary to substitute the returns of later years, because the principle involved would apply with equal force to the returns of any year which might be selected.

IMPORTS AND EXPORTS FOR THE YEAR 1904.

	Merchandise.	Bullion and Specie.	Total.
The imports were	£551,038,628 (CD2622, 1905, p. 103)	£45,563,927 (CD2622, p. 171)	£596,602,555
The exports were	300,711,000 (CD2622, 1905, p. 171)	46,302,832 (CD2622, p. 171)	347,013,832
Surplus imports over exports	£250,327,628 Exports over imports £738,905. Total		£249,588,723

243. The effect of the relationship of imports to exports of merchandise on the employment of the population will be understood if we test it by the following expansion of the contention that our imports are paid for by our exports and by the profit of British citizens on foreign trade and foreign investments.

244. If the excess of imports over exports, which amounted for 1904 to £249,588,723, be profit on foreign trade and foreign investments as alleged, when the imports are £596,602,555 and the exports £347,013,832, it follows that if the imports be £600,000,000 and the exports £100,000,000 the profits will be £500,000,000; and that if the imports be £600,000,000 and the exports nil the profit on foreign trade and foreign investments will be £600,000,000. This is likely to take place if we continue investing abroad in a progressive rate at £180,000,000 per annum as we are now doing, because British owners of

capital are afraid of Socialistic legislation in the United Kingdom aimed at depriving them of it.

As foreign investments owned by British citizens belong principally to the wealthy and middle classes this procedure would necessarily add to the wealth of the rich, without making any corresponding additions to the incomes of the industrial population. It would impoverish these classes by diminishing the employment by which they earn their livelihood.

This £600,000,000 of foreign profit would be applied to purchase £250,000,000 of Foreign Investments and to pay for £350,000,000 of imports for home consumption. This would deprive the home industrial population of all the earnings included in the production of these imports, and, though the wealth of our investing citizens would not be diminished, the wages included in the production of our existing £300,000,000 of exports would also be earned by foreign industrial populations who would produce the goods in place of the home population. Society would thus consist to a larger extent than it now does of the wealthy but despised classes who earn their incomes from foreign investments, and the industrial population would consist to a greater extent than at present of domestic servants to attend to them, and of traders and shopkeepers who would distribute the food, clothing and other commodities required to support them, and these commodities would be more extensively produced by foreign labour in foreign countries. This is the natural and inevitable outcome of our Free

Trade system. Extremes of wealth and poverty are produced by it when the rich grow richer and many of the home poor poorer year by year because they are deprived of the occupation which produces the wealth of the rich.

245. Such treatment represents absenteeism in industry which the policy of buying in the cheapest market and the adoption by the United Kingdom of the survival of the fittest in trade, as if in a universal state, but with unequal conditions for British producers, are designed to promote and to encourage.

246. The economic effect of this procedure on the community is similar to that of the much-abused absenteeism of owners of agricultural land who carry away their share of the earnings of this industry from the districts in which they are produced and spend them in the redistribution of trade in other localities.

The wage earners and others who assisted to produce these profits, although compensated for their work, are nevertheless, by this means, deprived of the reflex influence of the redistribution of the expenditure incurred in the trade created by their industry, which is thus transferred to some other country.

247. It should be observed that while those absentee landlords were subject to calumny and abuse for this conduct, the loss inflicted by their treatment of the industrial community was small compared with the loss caused by purchasing goods capable of being produced at home in excess of exports in exchange for them, because what the landlords deprived the population of

was only the redistribution of part of the profits of agriculture, which consisted of rent or interest on capital invested in land which was properly due to them, whereas absenteeism of trade deprives the community both of the wages of production and the redistribution thereof, which, taken together, distribute on an average £44 in wages and £42 in the promotion of other industries which pay wages for every £14 of profits earned by capital invested in industry (see Table G, col. 6. Wages, £468,784, Nos. 22 and 23 ; other industries, £442,397, Nos. 12 to 21 ; and profits, £148,038, Nos. 24 and 25).

248. It is therefore contended that the policy of buying from other countries what we can provide ourselves produces decay of the national industries and impoverishes the industrial population.

249. The history of several other nations shows that by giving effect to a system of free imports their industries gradually waned and then perished.¹ Several of the industries of the United Kingdom were extinguished in a similar manner under the existing system, and the returns of British imports and exports show that our progress in output of merchandise which can only be done with gradually diminishing profits on an increased turnover in order to continue it, is largely kept up by wastage of the sinews of industry in the export of coal, and that notwithstanding these sacrifices of future means of production our progress is waning, for we are falling behind in the rate of progress compared with Germany and the United States of America.

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250. The truth of this contention is clearly shown by the following comparative percentages of increase in trade in 19 years from 1890 to 1909 for the undernoted staple productions of these countries, which were published † some years ago.

Increase in 19 years from 1890 of	United Kingdom. Per cent. of increase on 1890.	Germany. Per cent. of increase on 1890.	U.S. America. Per cent. of increase on 1890.
Exports	43	92	117
Manufactured exports	31	102	321
Coal consumption	31	104	88
Pig iron	15	152	73
Population	19	27	39
Railway receipts	52	107	146

251. In order to understand this question it is necessary to enquire into the motive which promotes business between individuals and nations.

If people engaged in production and commerce cannot obtain profit there is no motive to induce them to continue trading except the fear that, if they stopped, financial disaster or insolvency might ensue.

252. When trade with other countries produces profit men do not stop to consider whether the imports and exports of their own country will balance themselves.

They buy when they believe the goods they require are cheaper than they can produce or procure them in their own country, and they sell when they think they can obtain a better price from abroad than in their own country.

† *Daily Mail*, 25th November, 1910.

They know that agents exist in abundance for procuring payment or remitting the money.

The nation as such has not, therefore, anything to do with the settlement of accounts between its citizens and those of other countries.

253. The duty of the State is to make the conditions of trade fair and reasonable for its own citizens, so that they may trade profitably and keep the population remuneratively employed. The statesmen of the countries with whom we transact business are competent to look after their own people and do not require our advice or assistance to manage their affairs.

254. Every manufacturer or merchant who exports goods to a foreign country requires to be paid for them and every foreign merchant from whom we purchase has to be paid for the goods we buy, not by the State but by the individuals who trade with each other.

255. When this becomes impossible in either case, business transactions are discontinued without the intervention of the State.

If any bad debt be incurred it is borne by the firm which makes it, and the loss represents an item in the settlement between the nations equivalent to a reduction in the declared value of the import or export.

256. But the aggregate of individual accounts between the United Kingdom and other nations with whom it has commercial dealings affects the rate of exchange for the remittance of money, and the merchant who requires to have money remitted has the cost deducted from the amount of the bill

which he receives payment of, or else requires the debtor to pay the charge, and this cost varies with the value of money and the balance of trade.

257. The charge made for the services of bankers is, however, considerably mitigated by the process of settlement by bills of exchange which extend the actual time of payment for short periods and use the debits of one country against the credits of another by making these bills payable in London or in some other large commercial centre where the dealings between nations are set off against each other.

The necessity for transferring gold to the value of the total sales is thus avoided, the balances only being remitted in this manner. But they are frequently settled by purchasing stocks or securities in the country which owes the balance and requires to remit it.

258. The effect of this procedure is to abate indiscriminately the cost of exchange, inasmuch as a merchant in one trade in his own country may obtain the benefit of a cheaper exchange in consequence of business transacted with other merchants in an entirely different trade in his own or in some other country. This cost is, however, so trivial that its effect is inappreciable in commercial transactions of great magnitude, so that the possibility of inability to meet payments when due does not retard the dealings between firms which are financially sound or where payments are made on delivery of bills of lading or captains' drafts secured by the ship.

CHAPTER XII

THE BOARD OF TRADE RETURNS AND SHIPPING BALANCES OF ACCOUNTS BETWEEN THE UNITED KINGDOM AND OTHER COUNTRIES EXAMINED.

259. In order to explain the settlement of accounts between the United Kingdom and other countries with which it has business dealings it is necessary to observe that all the transactions which enter into the settlement are not disclosed or included in the Board of Trade returns.

260. It must not, therefore, be assumed that the foregoing difference of £249,588,723 (paragraph 242) between the imports and exports of merchandise and bullion and specie represents profit on foreign trade and foreign investments, though in substance there is a considerable amount of truth in it.

261. It is explained in the published Board of Trade returns, C.D. 1,761, for 1903, page 31, that the amount of imports stated is their value including cost, insurance and freight necessary to land the goods in the United Kingdom, described in trade parlance as "c.i.f.," and that the exports published is the cost and charges of delivering the goods on board ship in British ports, similarly described "f.o.b."

The export amount stated does not therefore include sea freight nor the insurance necessary to cover the risk of carrying the goods to the countries of their destination.

262. It will be evident to anyone who enquires into these transactions that neither in the case of imports nor exports is the true value arrived at for the purpose of settling accounts between the nations without taking into account both the means and the cost of transmission, and possibly also in some cases the difference between declared value and real value where goods are subject to heavy import duty in the country of their destination.

263. The outward freight and insurance and transit through ports of other countries where the true destination is omitted in returns, may partly account for the large difference between the amount stated as exports to foreign countries published in the Board of Trade returns of the United Kingdom, and the amounts at which these exports are stated as imports in the published returns of the countries to which the goods are dispatched. This explanation is not, however, uniformly borne out by the returns.

263A. It will be apparent to anyone who enquires into the question of freight that the imports and exports of merchandise as published require considerable modification and amendment in order to arrive at their true value for the purpose of showing the settlement of accounts between the nations, which at the best can only be approximately ascertained.

264. To rectify the amounts of imports and exports as affected by freight the following shipping returns require to be taken into account and the approximate earnings ascertained and analysed.

I have enquired into the effect of freights on declared imports and exports in relation to their true value in the accounts between nations, not for the purpose of giving absolutely ascertained results for transactions which are known to be continually changing, but with the object of showing the nature of the complicated questions involved in freights which are usually looked upon singly as freights added to the cost of goods and becoming a part of the ultimate price of them without considering how or where the freights earned are expended.

265.

BRITISH VESSELS ENTERED AND CLEARED IN PORTS OF THE UNITED KINGDOM WITH CARGO IN THE YEAR 1904.

No.	Total.		Net Tonnage.	Net Tonnage.
25,320		British steam vessels entered		
		British ports, representing	27,101,768	
28,003		British steam vessels cleared		
		British ports, representing	31,320,396	
—	53,323	British steam vessels entered and cleared in British ports	—	58,422,164
2,764		British sailing vessels entered		
		British ports, representing	705,325	
2,029		British sailing vessels cleared		
		British ports, representing	572,901	
—	4,793	British sailing vessels entered and cleared British ports,	—	
		representing		1,278,226
5½	116	British vessels entered and cleared in ports of United Kingdom		59,700,390

266.

FOREIGN VESSELS ENTERED AND CLEARED IN THE PORTS OF THE UNITED KINGDOM WITH CARGO IN THE YEAR 1904.

No.	Total.		Net Tonnage.	Net Tonnage.
15,602		Foreign steam vessels entered British ports, representing	10,313,403	
20,357		Foreign steam vessels cleared British ports, representing	15,153,018	
—	35,959	Foreign steam vessels entered and cleared British ports, representing	—	25,466,421
6,247		Foreign sailing vessels entered British ports, representing	1,821,401	
5,333		Foreign sailing vessels cleared British ports, representing	1,420,049	
—	11,580	Foreign sailing vessels entered and cleared British ports, representing	—	3,241,450
	47,539	Foreign vessels entered and cleared in ports of United Kingdom, representing		28,707,871
105,655		Grand total of British and foreign vessels entered and cleared in ports of the United Kingdom, net tonnage		88,408,261

267. The net tonnage of shipping which entered and cleared in the ports of the United Kingdom for the year 1904 and carried the imports and exports of merchandise, and the passengers who entered into and departed out of the United Kingdom and were carried between it and foreign countries and the colonies, was thus 59,700,390 of British vessels and 28,707,871 of foreign vessels, making a total net tonnage of 88,408,261.

268. The net sea freights earned by this tonnage, based on the actual experience of 600 inward and outward or double voyages, which earned £2,333,500 of freight with

1,453,000 net tonnage would be approxi- mately	£70,976,282
and for carrying inward 1,345,032 and outward 1,412,788 passengers, of which 2,028,487 were European or short sea passengers and 729,333 long distance passengers, would amount to £9,865,680 for food, and for fares £11,954,238, making together a total for carrying passengers of	20,919,918
Showing a total gross earnings for merchan- dise and passengers of	£91,896,200
To this there would have to be added the amount paid on inland charges of foreign railways included in the gross freight and collected on payment of freight in the United Kingdom	21,576,800
Making a total of freight and passenger fares	£113,473,000

269. It is evident that these gross earnings form a material item in the accounts which determine the balance of trade in regard to imports and exports, and after a careful analysis of a large number of the voyage accounts which make up the freight on which this calculation is based and of the expenditure of the vessels in ports when on these voyages, I find that of the imports 69·62 per cent. were carried by British vessels and 30·38 per cent. by foreign vessels, total, 100 per cent. Of the exports, 65·81 per cent. were carried by British vessels and 34·19 per cent. by foreign vessels, total, 100 per cent.

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The British vessels expended or retained in	Per cent.
British ports	67·88
of the net freight for imports	
and expended in foreign ports	32·12

Total	<u>100·00</u>
---------------	---------------

The foreign vessels expended approximately	32·12
of the net freight on imports in British ports	
and expended or retained in foreign ports	67·88

Total	<u>100·00</u>
---------------	---------------

270. On the basis of these ascertained expenditures the foregoing earnings of £91,896,200 would be distributed approximately over imports and exports in the following proportions :—

Description.	Total Gross Freight and Passages earned.	Expended or Retained in British Ports.	Expended in Foreign Ports.
	£	£	£
Earned by British vessels in carrying imports of merchandise	31,968,098	21,699,945	10,268,153
Earned by foreign vessels carrying imports of merchandise	16,490,868	5,296,867	11,194,001
Total sea freight on imports earned by British and foreign vessels	48,458,966	26,996,812	21,462,154
Amount paid on inland charges of foreign railways on imports collected in United Kingdom ...	21,576,800		
	£70,035,766		
Earned by British vessels carrying exports of merchandise	13,949,882	9,460,180	4,480,702
Earned by foreign vessels carrying exports of merchandise	8,567,434	2,751,860	5,815,574
Total sea freight on exports earned by British and foreign vessels	£22,517,316	£12,221,040	£10,296,276

Description.	Total Gross Freight and Passages earned.	Expended or Retained in British Ports.	Expended in Foreign Ports.
	£	£	£
Total sea freight on imports and exports	70,976,282	39,217,852	31,758,430
Add paid on inland charges of foreign railways collected in United Kingdom	21,576,800		
Total gross freight on imports and exports	£92,553,082		
Keep and fares of inward passengers earned by British vessels	6,671,972	4,528,935	2,143,037
Keep and fares of inward passengers earned by foreign vessels	3,206,576	1,029,952	2,176,624
Total inward passenger fares earned by British and foreign vessels	£9,878,548	£5,558,887	£4,319,661
Fares and keep of outward passengers earned by British vessels	7,457,341	5,062,043	2,395,298
Keep and fares of outward passengers earned by foreign vessels	3,584,029	1,151,190	2,432,839
Total outward passenger fares earned by British and foreign vessels	£11,041,370	6,213,233	4,828,137
Total inward and outward passenger fares earned by British and foreign vessels	£20,919,918	£11,772,120	£9,147,798
Estimated sea freight and fares earned by British and foreign vessels showing the approximate amount retained and expended in the United Kingdom and in foreign countries	91,896,200	50,989,972	40,906,228
Add paid on inland charges of foreign railways on imports collected in United Kingdom	21,576,800		
Estimated total gross freight and passenger fares arising out of shipping between the United Kingdom and foreign countries and the Colonies	£113,473,000		

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271. From the foregoing analysis of the estimated earnings of British and foreign vessels carrying merchandise and passengers, the following account based on the apportionments will show the effect they produce on imports and exports in so far as they enter into settlement of accounts between the United Kingdom and other countries.

272.

FOREIGN COUNTRIES IN ACCOUNT CURRENT WITH THE UNITED KINGDOM FOR MERCHANDISE AND SHIPPING. (As the accounts would appear in Books of the United Kingdom showing Liability for Purchases, etc.)

Dr.				Cr.
To foreign countries—	£	By goods imported	£	£
For the value of goods exported	300,711,000	„ B. T. returns	551,038,628	
For Bullion and Specie exported	46,302,382	„ less gross freights inc.	70,035,766	481,002,862
Expenditure of foreign vessels in British ports carrying imports ..	5,296,867	„ Bullion and Specie imported		45,563,927
Freight earned by British vessels carrying exports	13,949,882	„ Freight on imports carried by foreign vessels		16,490,868
Expended by foreign vessels in British ports carrying exports	2,751,860	„ Inland charges of foreign railways paid out of gross freight		21,576,800
Fares of inward passengers carried by British vessels	6,671,972	„ Expenditure of British vessels in foreign ports carrying exports ..		4,480,702
Expended by foreign vessels in British ports carrying inward passengers ..	1,029,952	„ Expenditure of British vessels in foreign ports carrying inward passengers		2,143,037
Expended by foreign vessels in British ports carrying outward passengers ..	1,151,190	„ Fares of outward passengers carried by foreign vessels		3,584,029
	377,865,103	„ Expenditure of British vessels in foreign ports carrying outward passengers		2,395,298
Balance due to foreign countries on account of imports, exports and freight ..	209,640,571	„ Expenditure of British vessels in foreign ports carrying imports ..		10,268,153
	£587,505,676			£587,505,676

273.

FOREIGN COUNTRIES IN ACCOUNT CURRENT WITH THE UNITED KINGDOM—*continued*.—SHOWING FOREIGN INVESTMENTS AND DIVIDENDS OR PROFITS THEREON.

Dr.			Cr.
To Amount of ascertained profit and dividends on foreign trade and investments applied as alleged to discharge the liabilities set off contra. The income tax returns show dividend on Indian, colonial and foreign government securities ..	29,641,022		
" On railways out of the United Kingdom ..	14,551,530		
" Dividends on Indian colonial, foreign and other than government securities ..	11,404,180		
" Coupons, probably foreign but not stated ..	10,465,377		
" Total subject to income tax	66,062,109		
Balance unascertained, viz.			
By the estimate of George Paish, Esq., of the foreign investments in 1910 which amounted to £3,192 millions, and yielded interest at 5½ per cent. Deduct 6 years at £140 millions, equals £840 millions, leaving it to stand at £2,352 millions in 1904, this should amount to £122,304,000, and would leave the above return short by £56,241,891. And in addition the profits of British citizens on private foreign trading would require to amount to £217,696,000 in order that they might discharge the liabilities contra.			
II the foregoing assumptions be correct, this would show an approximate balance of British profit on foreign trade and foreign investments which remain abroad and do not apparently contribute to the taxation of the United Kingdom of	273,937,891		
	£340,000,000		
		By Balance showing the indebtedness of the United Kingdom to foreign countries and the colonies on account of the recorded transactions in Merchandise and shipping, as per paragraph 272 ..	209,640,571
		" British investments in foreign countries and the colonies which have also to be paid for in a similar manner to merchandise estimated for 1908 by George Paish, Esq., and published in the Royal Statistical Society's Journal for January, 1911, £148,787,300. As the estimates of this statement are for 1904 there would require to be deducted for advancing investments in 3 years about £18,427,871 say ..	130,359,429
		Total amount which requires to be paid for by dividend on foreign investments, and profit of British citizens on foreign trade for year 1904 ..	£340,000,000

274. As the whole of the transactions which take place between the United Kingdom and other countries with whom she has commercial and financial dealings, including the purchase and

sale of stocks and shares, are not published, but which would require to be definitely determined in order to ascertain the true balance which has to be discharged and which is alleged to be settled by British profit on foreign trade and foreign investments, the balance of £340,000,000 appearing at foot on the credit side of the account in paragraph 273 would require to be further adjusted in respect of the additional transactions set out on the account in Table H, in the Appendix.

274A. If we assume that the balance of trade, whatever it may be, between the United Kingdom and foreign countries is settled, as is alleged, by the profits on foreign trade and foreign investments, and that British foreign assets have been increased at the end of the year by the additional foreign investments which are known to have been made out of the transactions of the year, the accounts would appear as in Table H, in which approximate amounts are assumed for the purpose of illustration.

This statement with paragraph 273 would thus show :—

275. (a) That about £340,000,000 of the profits of British foreign investments appear to be available for the purpose of paying foreign countries for the excess of imports over exports, and for purchasing foreign investments, which must be taken as part of the balance required to be settled in conformity with this theory.

276. (b) That British foreign investments are, therefore, not now paid for by exports of British merchandise, as alleged by some British statesmen and other defenders of the Free Trade system, but

are paid for by part of the profits of British investments and trading which remain abroad after settling the accounts for the excess of imports over exports, and accumulate by reinvestment in foreign countries.

(c) That about £273,937,891 (paragraph 273) of the profits of British foreign investments probably escape paying income tax by which the British Treasury possibly loses £16,000,000 per annum, these profits being only available for taxation in the United Kingdom when the estates of the investors become subject to payment of death duties on such of these profits as are accumulated and capitalised.

277. (d) That the British industrial population are impoverished by this absenteeism in trade by being deprived of the wages of the production of the imports in excess of exports of merchandise to pay for them.

278. (e) That the taxation of foreign dividends, even to the extent of absorbing the whole amount of them in taxes, would fail to compensate the population of the United Kingdom for the deprivation of employment caused by the dividends on foreign investments being applied to purchase foreign-made goods capable of being produced at home instead of producing them in the United Kingdom by the employment of the home population.

Because the wages which would be earned by production, which are what the bulk of the home industrial population loses, would be more than three times the amount of the earned dividends from the capital invested abroad, which are what a wealthier class of the home population gains.

*May not a considerable portion of
this capital invested abroad be
used in producing goods which are*

(f) That the British public and private trading capital invested in foreign countries in excess of the foreign capital invested in the United Kingdom probably amounts to £340 millions at 20 years' purchase of 5 per cent., equivalent to £6,800 millions.

CHAPTER XIII

THE EFFECT ON THE EMPLOYMENT OF THE POPULATION OF RECEIVING IMPORTS IN EXCESS OF EXPORTS.

279. At this stage of investigation it is necessary to enquire into the transactions involved in purchasing from foreign countries what is capable of being produced at home in excess of the exports which pay for them in so far as they affect the employment of the industrial population of the United Kingdom.

280. The imports and exports for the year 1904 as published in the Statistical Abstract, C.D. 2,622, have been already stated. These have been set out in a variety of classes (paragraph 283) and the expenditure which would have been incurred in their production analysed (paragraph 286) for the purpose of showing the extent to which every trade and class would be benefited by the indicated change in our fiscal system. In the year 1904 the United Kingdom imported from foreign countries and the colonies merchandise valued at £313,665,432 (paragraph 283), principally raw material, but of such a nature as to be incapable of being produced in the United Kingdom, and exported £300,711,000 (paragraph 242) of merchandise principally of British manufacture.

281. These items would be approximately a fair exchange of national production in goods and

also in value, and would leave a balance for adjustment capable of being settled in bullion and specie, or by foreign dividends; but the United Kingdom purchased and imported in addition commodities of the value of £237,376,196 (paragraph 283) in a manufactured or completed condition, all of which were of such a nature that they could have been produced at home by our own population.

282. These were admitted practically free of duty to compete with the heavily-taxed manufactures of our own citizens. If these commodities had been produced or manufactured in the United Kingdom they would have yielded taxes in a similar manner to the other productions of the citizens, who were thus handicapped to the extent of the taxes which these commodities would have yielded to the British Exchequer and to the local authorities in relief of taxation, less, of course, any additional national or local expense which might have been incurred for their production and sale. These productions when classified are as follows:—

283.

(a) Commodities which cannot be produced at home,	£	£
Food material	34,090,986	
Clothing material ..	123,630,484	
Sundry goods	115,243,738	
Tea, dried fruits, tobacco and other articles on which £29,721,000 duty was paid	40,700,224	
Total		313,665,432

	£	£
Brought forward		313,665,432
(b) Commodities capable of being produced in the United Kingdom,		
Cereals	54,530,688	
Clothing manufactured or partly manufactured	34,716,066	
Iron, steel and heavy manufactured goods	44,285,984	
Sundry Commodities ..	103,840,458	
Total ..		237,373,196

Total Imports of Merchandise £551,038,628

284. If the items set out and classified under (b) which are capable of being produced in the United Kingdom had been produced, instead of being imported untaxed to compete with home industry on preferential conditions, there would have been expended in the United Kingdom in their production and in the redistribution of the expenditure incurred in it in support of the population employed £453,314,032, which, on the basis of existing trade, would have been distributed on an average in conformity with the following analysis (paragraph 285).

ANALYSIS OF COMMODITIES CAPABLE OF BEING PRODUCED IN THE UNITED KINGDOM.

	Expenditure in original production.	Redistribution of original expenditure in first column.	Total.	Summary.	Per cent.
Earned Incomes, Wages, salaries and commissions Goods used, the product of other industries paying wages	£ 131,886,403 24,944,327	£ 91,750,063 3,421,280	£ 223,636,466 28,365,607	£ 223,636,466	28·3
Sea Freights	1,500,000	5,042,179	6,542,179	6,542,179	12·3
Railway Carriage and Cartage	8,500,000	16,082,919	24,582,919	24,582,919	
Coal and Light	14,081,951	23,251,707	37,333,658	37,333,658	
Subscriptions for Philanthropic and Charitable purposes	1,240,000	6,791,735	8,031,735	8,031,735	1·1
Local Rates equal £2 1s. 2d. per head of population	8,469,077	10,084,040	18,553,117	18,553,117	
Government Taxes, stamps, and duty for 1904, £3 5s. 8d. per head of population increased in 1911 by 13s. 9d. to £3 19s. 5d.	6,017,502	23,655,905	29,673,407	29,673,407	6·9
Additional taxation since 1911, 13s. 9d. per head		6,196,891	6,196,891	6,196,891	
Rent of Land, Buildings and Domestic Dwellings ...	19,826,368	14,900,369	34,726,737	34,726,737	4·4
Profit on £1,400,000,000 Capital required to transact the business	20,907,568	14,763,748	35,671,316	35,671,316	4·5
Total British expenditure distributed in the United Kingdom	237,373,196	215,940,836	453,314,032	453,314,032	57·5
Foreign Imports, Raw Material, etc., added ...	313,665,432	21,432,360	335,097,792	335,097,792	42·5
Gross expenditure of production and redistribution	551,038,628	237,373,196	788,411,824	788,411,824	100·00
Number of people who would be employed...	2,371,500	1,698,500	4,070,000	4,070,000	
Number of people who would be supported by the Industry	5,211,900	3,801,760	9,013,660	9,013,660	
Capital required to transact the business	£800,000,000	£600,000,000	£1,400,000,000	£1,400,000,000	

286. In setting out these transactions as representing a possible trade which the citizens would be capable of doing, and which they might do under equitable fiscal regulations designed to benefit them in preference to benefiting the population of other industrial States, it is necessary to say that the trade enumerated under (b) would not be likely under any circumstances to be entirely retained within the United Kingdom by the enforcement of a moderate tariff on imports of these commodities. A large proportion of it could be retained, and it is contended that this is the trade which should be aimed at, and these are the items which should be liable to import duty for the double purpose of revenue and the protection of British industries, and not those enumerated under (a), because the taxation of items under (b) would promote home industry by the employment of the population, these goods being capable of production by them, whereas the taxation of items under (a) as carried out under the existing conditions would not promote any industry being incapable of production in the United Kingdom.

287. Strenuous opposition would no doubt be made to this drastic change in the principle and object of taxation by the advocates of the Free Trade system, on the grounds of expense of collection and unnecessary interference in the conduct of business; but legislation already carried out by politicians who hold these views deprives them of the right to object on these grounds. The expense of collecting the necessary revenue

to conduct the affairs of State would be practically the same under both systems if economically managed. The modern methods of taxation require an immense increase to the clerical and directing staff of revenue officers and have made considerable additions to taxation without corresponding additions in trade or profit to enable it to be paid. These methods are also responsible for an unnecessary amount of inquisitorial interference in the most confidential relations of life, and are applied in the most oppressive and offensive manner, necessitating the wastage of a large amount of time and cash expenses by the taxpayers which might be more profitably employed in developing their industries.

288. The extent and nature of the Free Trade enjoyed by the citizens of the United Kingdom under the existing system will be understood by a careful examination of the comparative amount of duties levied on imports for home consumption by the principal nations in Europe and America.

Importing Country.	Imports for Home Consumption. £	Amount of Import Duty Paid. £	Per Cent. of Duty on Value of Imports.	Population Paying same.	Duty per Head of Population per Annum. s. d.
United Kingdom	300,800,000	33,100,000	11·0	42,371,000	15 8
United States of America	210,000,000	58,500,000	28·0	80,372,000	14 6
France ...	192,000,000	18,300,000	9·5	39,140,000	9 5
Germany ...	300,100,000	26,800,000	8·9	58,569,000	9 2
Spain ...	37,400,000	5,500,000	14·6	18,828,000	5 9
Italy ...	74,500,000	9,500,000	12·7	33,089,000	5 9
Russia ...	71,900,000	25,600,000	35·5	141,200,000	3 7
Austria - Hungary	78,200,000	4,700,000	7·0	46,598,000	2 0
Total ...	£1,264,900,000	£182,000,000	14·4 average.	460,167,000	7 11 average.

289. British taxes on imports thus turn out to be the highest in the list, but they are imposed only on productions which cannot help the citizens because it is the orthodox opinion of Free Traders that taxation on imports should only be imposed for revenue purposes. To tax imports of commodities we produce would, in their opinion, be heterodox, because it would protect the industries of the citizens.

290. Before concluding this enquiry into the elements which enter into the settlements of accounts between the nations and the manner in which they affect the prosperity or adversity of the citizens, it is necessary again to direct attention to the beneficial effect on the industrial community and the citizens in general of the home investment of British capital as distinguished from its investment in foreign countries. The desirability of encouragement for home investments by the creation on the part of the home Government of profitable conditions through its fiscal system is thus of vital importance to the citizens.

291. For the purpose of illustration I take the case of a citizen who, with hard work and strenuous effort, has saved £1,000 out of his earnings and has to decide to what profitable use he will apply it. He can invest it either in the United Kingdom or in some foreign country. The same principle which governs his choice will apply equally to any other sum seeking investment. If he invests it productively in the United Kingdom the following table will represent approximately the

amount of wealth which it will create under each of the three classes of productions stated, showing under the various classes the amount created in one year, and the time required to reproduce the whole capital of £1,000 expended in each case.

Description of Expenditure.	Goods produced by Investment of £1,000 Capital.						
	No.	Average in trades with slow movements.		Cereals and Food.		Clothing.	
		In 1 year.	In 2 years and 226 days.	In 1 year.	In 1 year and 216 days.	In 1 year.	In 2 years and 29 days.
		A.	B.	C.	D.	E.	F.
Earned incomes, wages, salaries and commissions	1	118	303	143	268	145	303
Goods used and expenditure, the product of other industries paying wages	2	162	414	333	620	121	250
Total expended principally in wages	3	280	717	476	888	266	553
Local rates and Government taxes	4	16	40	14	25	17	36
Rents of property and dwellings, and interest on capital employed	5	54	140	46	87	46	95
Total home expenditure	6	350	897	536	1,000	329	684
Purchase of raw material and other foreign goods	7	40	103	nil.	nil.	152	316
TOTAL EXPENDITURE ...	8	390	1,000	536	1,000	481	1,000

292. By the first method of investment the owner of £1,000 while earning £54 (A5) for himself would contribute £16 (A4) in local and national taxes. £280 (1, 2, A3) in wages, in expenses and in the purchase of goods produced

by wages paid to his fellow-citizens. There would be purchased and used £40 (A7) of foreign goods not capable of production in the United Kingdom.

By the employment of £1,000 capital he would thus create in one year £390 (A8) of which £350 (A6) would be in the United Kingdom, or the whole £1,000 invested at home would reproduce itself in 2 years and 226 days (B8), of which £897 (B6) would be produced in the United Kingdom and £103 (B7) in foreign countries by foreign labour.

293. Whereas if he invested the £1,000 in a foreign country he would only bring back to the United Kingdom £34 in one year of which £2 would be contributed to British taxes, against £16 (A4) by the home investment, and on the average under existing conditions £20 part of the balance of £54 dividend (A5) would remain abroad for reinvestment, escaping British taxation, while the balance of £34 would be remitted home in the form of goods, free of taxes, produced by foreign labour, and depriving the British industrial population of £280 in wages and other earnings (A3).

294. The figures set out in the Cols. C, D, represent the production of cereals, and show the absolute loss sustained for each of the items after deducting the product and redistribution of pasture land from the product and redistribution of wheat as described in Table B.

The figures set out in Cols. E and F represent the production of all kinds of clothing in the

approximate proportions in which the various kinds are used, as fully described in Table G. These specimens of the nature and conditions of trade and of the extent of the redistribution thereof do not exhaust the ultimate benefit which would be conferred on the home population by the contemplated changes involved in Tariff Reform, as the calculations deal only with the principal or original process of production and one distribution of the expenditure incurred in it in supporting the people employed.

295. It will be contended by advocates of the Free Trade system that if the people employed in the additional industries had not been so employed they would have been engaged at some other work. Some of them no doubt would have been, but not all, and for those not engaged employment would be provided.

296. But in addition, further distribution and employment would be provided by expenditure in other trades, and many industries now in a languishing condition, often hovering between success and failure, would be turned into prosperous enterprises by a little additional business or by the improvement in prices which Tariff Reform would accomplish.

297. Furthermore, it cannot be denied that if employment be plentiful and the supply of labour scarce, which increased trade would make probable there would be provided better conditions of service, and wages, being only about one-third of the cost of production, would increase in a greater ratio than enhanced prices. The increased

output in production would counteract to a considerable extent the rise in wages, while fixed charges would remain practically the same, both tending to reduce the cost. Any person with experience of business will understand the effect of increased trade on the general business of the community, especially if it can be done on anything like profitable conditions.

298. Take as an illustration a mercantile business with sales amounting to £15,000 per annum which supplies the wants of the community ; if a productive business be started in the locality distributing such additional wages as will increase the sales of the business in question from £15,000 to £20,000, the increase of £5,000 can be done at a much smaller ratio of expenses to sales than heretofore, probably without any additional expenses. The effect of the increased profit on the relation of the proprietor to those who assist him in business will be to improve their condition and remuneration as soon as prosperity has been reasonably assured to him by the stability of trade and the maintenance of profitable conditions. The same observations apply with equal force to the manufacturing business the wages of which originate these increased sales, as well as to every other business in which great risks have to be provided for. No person engaged in productive or commercial enterprises can afford to pay the highest wages of which his business may be capable, when he does not know what contention or strife may be sprung upon him through the instigation of paid

irresponsible agitators whose shallow sophistries persuade his employees to cease work, often at a time when the stoppage will inflict on him irreparable harm and loss.

299. It will thus be seen that the investments of British capital in foreign countries which might be profitably invested at home, even when its remittance for that purpose would be by the means of the export of British manufactures (which I have shown has in substance ceased to be the medium of doing so), cannot compensate the citizens of the United Kingdom by return of the dividend thereon earned in foreign countries by means of imports of foreign productions which are capable of being produced at home. Because, while the capitalist received £50 in dividend for the investment of his £1,000 in either event, the British taxes yielded by the foreign dividend would not exceed one-sixth of what they would have been on the average by investment of this £1,000 at home, and the British industrial population have no compensation for the £280 in wages and goods produced by wages (A3) which they have been deprived of by the foreign investment.

300. The conduct of British statesmen in enacting fiscal regulations which encourage the investment of British capital in foreign countries where it is occupied in producing goods, or in relieving the capital of these countries from other responsibilities which enable them to produce goods by the employment of foreign populations so as to successfully undersell home productions in the

home market, and by which they deprive the home population of employment, therefore appears incomprehensible. In carrying out this policy British statesmen practically stand alone among the statesmen of all the great nations of the world in their hostility to the promotion of the true interests of their own industrial population. This they endeavour to counteract by unnatural palliatives which enable them to exhibit themselves as benefactors who appear entitled to the everlasting gratitude of what they represent as a down-trodden and impoverished population, but a population impoverished by an economic system founded on sophistry and injustice.

300A. Complaints are often made on behalf of the industrial population that they do not receive their equitable shares of the wealth produced.

This complaint contains a substantial element of truth, but the cause is imperfectly understood.

The claims made for increased wages are often founded upon the capacity of some firms to pay high dividends, whereas for every firm in a position to do this there are one hundred firms only earning a very modest profit, and many others unable to pay their way.

The mistake they make is in demanding increases from the home producers who cannot afford to pay more and continue to trade, and in allowing themselves to be deprived of one hundred millions of wages per annum included in untaxed imports without making any attempt to retain the trade and to earn these wages by production carried on within the United Kingdom.

CHAPTER XIV

REVIEW OF PREVIOUS CHAPTERS.

301. In the preceding chapters I have attempted to explain and illustrate the economic questions enquired into as we find them operating in the experience of productive and commercial industry.

It remains for me in conclusion to review the salient points of this enquiry.

302. In doing so I shall briefly re-examine the process of production and commerce from its origin and inception, because it is by ignoring the elementary principles of industry and occupation that the industrial community have been led to their own impoverishment. This has been brought about by the enactment and maintenance of fiscal laws which promote and encourage *commerce* in foreign productions, which yields in the United Kingdom only 6 per cent. of its value in employment paid to high-class officials for merchanting (Table C, 6, No. 25 and 26) in an undue proportion or relationship to *production*, which yields from 25 per cent. to 40 per cent. of its value in employment (Table A, part 2, col. 1, and Table D, 45, Nos. 12 and 13) and 57 per cent. of value in the redistribution of trade which it originates, and which would not be transacted at all but for this origination (Table E 52, Nos. 12 and 13).

303. We carry on the industries in which we are engaged mainly because by them we earn the support of ourselves and those depending on us, and because by this means we procure the necessaries, comforts and enjoyments of life.

304. In the discharge of these obligations we employ ourselves principally in the production and sale of the goods we use or make for the use of others, and in the subsidiary occupations and industries created by them, or required for the education, devotions and amusements of the population.

305. While thus engaged we find that the materials for all goods are the products of nature, and that these are manipulated by human agency into the condition in which we find them when we purchase them for use as completed commodities.

306. In the production and sale of these goods we traverse an immense field of industry, the operations and expenditure incurred in which are illustrated by the Tables A to G in the Appendix.

307. By a careful study of these tables we see how closely the individuals of this great national community, for whose well-being the State is primarily responsible, are dependent on each other, how their occupations are interwoven, how and to what extent the expenditure of one set of individuals becomes the income of another set, how this income as it passes round in the redistribution of trade is expended in support of the people who earn it, and who in the spending of it employ and pay other sets to produce and to distribute the goods they use.

308. No person need therefore ask " am I my brother's keeper ? " for the conditions of our existence and environment constitute us keepers of our fellow-citizens. We cannot, moreover, divest ourselves of this responsibility, because we must provide the means of our subsistence by industry which employs others. To these citizens who are taxpayers in the common State our first duty therefore belongs.

309. If we can utilise their services productively instead of granting relief to support them in idleness, whether we find employment for them in their capacity as citizens or as members of trade societies, we thereby produce economic efficiency, prevent unnecessary waste and lighten individual and national burdens. If we fail to do so we leave them as waifs on the charity of the community, or compel citizens who have been educated at a cost of £200 per head contributed by British taxpayers and trained in occupation at the expense of their parents to emigrate in order to obtain adequate subsistence or to improve their positions in life.

310. Every citizen is thus interested in the training and moral character of his neighbours, which are so essential for honest service and efficient work. For such work citizens are entitled to be paid an adequate living wage in return for competent services honestly rendered, but the existing methods of obtaining these are inadequate and in many cases barbarous.

311. It thus becomes the duty of the State and a direct benefit to the individuals within its area

to have citizens trained up in the principles of morality.

311A. For this work a well-deserved tribute is due to the huge army of lay teachers, and to the clergy of all denominations, who spend their lives for very inadequate remuneration and mould the characters of citizens by training up the youth and inculcating in them principles of moral rectitude, without which neither the State nor civilised society could exist.

312. When their characters have been formed, and when they have been trained in the occupations they have chosen for their life work they require to be productively employed and to become self-supporting. But they cannot be employed without industry, and industry cannot be continued without stable and profitable conditions.

313. They may become self-supporting and advance themselves by diligence in whatever occupation they have chosen, by spending on their personal support less than they earn. They may also invest their savings in industry so as to produce profit to assist them to live in more comfortable circumstances than they otherwise would, and by the same economic procedure they may give employment to their neighbours.

The vast community of men cannot in these days leap into a condition of wealth by chance or seizure. It is only by patient and persistent savings and the accumulation of them by earnings that wealth or affluence becomes attainable, and this avenue is open to all.

314. The British Legislature under Free Trade

will not do anything to increase or maintain industry with the object of improving the condition of citizens or of keeping them employed ; on the contrary, its methods are designed to destroy it by the deliberate creation of unprofitable conditions which render industry unable to pay reasonable wages without the constant dread of its being brought to a state of collapse. This necessitates more extravagant expenditure to cover risks and increases prices on the purchasing community.

315. Every individual citizen is however so deeply concerned in the preservation of his direct or immediate means of livelihood that anything which injures or threatens to deprive him of them he naturally and forcibly resents. He is not, however, so careful to preserve what belongs to other people, because he fails to realise his relationship and responsibility to them. But in his individual capacity he defends and protects the industries in which he has a substantial interest with all the energy he possesses, because he believes he has the right to earn, to save and accumulate his earnings, to own them when accumulated, to dispose of them according to his will and to convey to his friends and successors what he has been the means of originating by the exercise of his genius, labour or expense, after compensating those who assisted him to acquire them in conformity with the conditions of service or employment at the time, and after contributing his equitable share of national and local taxes.

316. The assertion of such rights may seem

unnecessary, but it is by no means so, for the claims of existing organised society infringe them in various ways, and no person is permitted to enjoy the things he thinks he owns without a struggle, because they are coveted by others who employ means, often legitimate, but sometimes unscrupulous, to deprive him of them when antagonistic interests come into active competition. These attacks are intensified and more dangerous when they come from sources outside the influence of individuals or societies.

317. The experience of his surroundings thus teaches every citizen that he must either protect himself, his personal services and his possessions, or they will be seriously interfered with or taken from him.

Protection therefore becomes a necessity of his condition and environment, and if it be necessary for each of the individuals within the State it would seem reasonable to conclude that it is also necessary to protect the whole community which consists of such individuals from other communities possessing similar instincts who may desire to injure them or to infringe their rights.

318. In the pursuit of protection and in exercise of the natural instinct of self-preservation every responsible citizen buys what he requires as cheaply as he can, and sells his services, or what he produces with them, at the highest price he can procure consistent with their being paid for, and in practice every responsible citizen not supported by others is both a buyer and a seller to the whole extent of his annual resources,

including any portion of them which he may save and invest productively as capital.

319. But protection by individual effort is weak, inefficient and totally inadequate, with the result that individuals form societies and combines or trusts whose operations are practically confined to protecting citizens from each other in the same State, but their interests are frequently attacked from sources outside the influence and jurisdiction of such defensive organisations.

320. These external attacks come into active operation when the transactions of the citizens are extended from doing business with each other, to exchanging their productions with other nations where similar goods are produced under different conditions, and admitted into the United Kingdom without bearing any of the burdens which the production of similar goods at home would provide for, and without any obligation on the foreign sellers to take British productions in exchange without having to bear almost prohibitive import duties before being admitted.

321. The effects of acting on this fundamental Free Trade principle upon British industry and employment are :—

- (a) To reduce the quantity sold abroad in consequence of the reduction in price, which the British producer must make in order to obtain entrance through the tariff walls of foreign countries which make similar goods, thereby reducing British profit and employment.

(b) To reduce the quantity produced at home for exportation and for home consumption in consequence of foreign manufactured goods being admitted to take the place of British productions without making any contribution to British national and local taxes.

(c) The British producers and wage earners engaged in production are thus doubly taxed.

1. On the quantity they send abroad they pay the home tax directly and the foreign tax negatively by reduction in price or wages.

2. On the quantity they produce for home consumption they pay the home tax and the tax which the imports of foreign goods would have yielded had they been produced at home, by having to accept for the home production or employment a lower price to enable them to compete.

(d) The home producer and wage earner have thus to accept a lower price for the goods and the wages included in their production in order that the foreign producer may escape British taxation and that the home consumer may procure the goods reduced by these burdens, which by this process are transferred to the producer and wage earner.

322. In order to compete successfully, economy in production has to be rigidly enforced, but efficiency in production is equally necessary, and to procure it those engaged have to specialise in whatever branch of industry they take up.

323. The outcome of this procedure is that

individuals or trained bodies of them produce special commodities or parts of them in greater quantity than they require for their own use, and use many other commodities which they do not produce.

When thus produced they must be sold or production will cease, and this occupation of the citizens will be automatically discontinued also.

324. The necessity thus arises for exchanging items which we require and do not produce for other commodities which we produce in greater quantity than we require for home consumption, and for this purpose expert salesmen, highly trained and well paid, are required in order to dispose of those surplus productions by international exchange.

Commerce thus steps in as the handmaid of production and procures customers to purchase, both in the home and in foreign markets.

325. I estimate the total annual production of the United Kingdom to be approximately as follows :—

		Per cent.
(a) Produced at home and used by the population	£2,169 million	= 78·7
(b) Purchased from foreign countries and the colonies and used at home (paragraph 272) ..	210 ..	= 7·6
Total home consumption	£2,379 ..	= 86·3
(c) Purchased from abroad used or manufactured by British labour and exported or re-exported (paragraph 272) ..	377 ..	= 13·7
Total ..	£2,756 ..	= 100·0

326. We thus purchase from foreign countries and the colonies the items represented by (b) and (c).

We retain for our own use the items under (b). The bulk of these could be produced by our own citizens, and because they are not many citizens are working on reduced wages or are without employment.

These items are paid for by dividends earned on the investments of British citizens in foreign countries, which dividends remain abroad and settle those purchases by contra account.

We purchase also from foreign countries the commodities, principally raw material, represented by (c), but as we sell a similar quantity of our own productions in exchange for these there is not much ground for complaint so far as production and wages are concerned, except in the matter of duty.

327. The whole controversy between Free Trade and Tariff Reform is practically confined to commodities classified under the items (b) and (c) which we import. In importing under Free Trade conditions we charge duty on the items which do not fulfil any protective functions, such as tea, coffee, and to a large extent, tobacco, which cannot be produced at home, and we admit free of duty commodities which we do produce, such as food, clothing and hardware, in order to deprive citizen traders of the temptation to extort exorbitant prices from the home consumers, which they are also prevented from doing by extreme competition between the home traders

themselves to such an extent that foreign untaxed competition is not now necessary to keep prices moderate.

This procedure cuts down the price which the home producer receives for the goods and reduces the wages included in their production to the extent at least of the tax which the home producer pays and the foreign producer escapes. This amount has been omitted to be collected on the imports and has been credited to the consumer in reduction of price. But by this process the population has been deprived of the wages which would have produced the quantity imported to an extent fifteen times more than the whole tax, and while the wages might have been earned by the industrial population the largest portion of the tax would have been paid by the wealthier classes on readjustment of the incidence. Had the import tax been collected on such goods as we produce in the United Kingdom instead of on those we could not produce it would have served the double purpose of raising revenue and protecting industry without additional expense.

328. But the citizens do not by this method escape any part of the burden of taxation or of import duties the full benefit of which Free Trade regulations have wasted by levying duty upon the wrong commodities, for it will be seen by reference to the table in paragraph 288 that the duty levied by the United Kingdom on imports for home consumption is higher than that of any other country, being 15s. 8d. per head of the population, whereas the

average duty levied on imports by the principal trading States only amounts to 7s. 1*d.* per head.

329. It will be understood that in order to exchange the productions of the citizens with foreign countries profitably, the conditions of exchange must be fair, but they are nearly always made inequitable by the fiscal regulations of the countries with whom our citizens transact business, because British statesmen have not only voluntarily divested themselves of the power to defend the industries of the citizens, but have repudiated the obligation, boasted of their folly and attempted to weld this system on the country by commitments which could never be retrieved, as if they only among all the statesmen of the world possessed true wisdom and foresight.

330. Notwithstanding what has been done in the past it is the duty of the State to exercise its influence or bargaining power in order to procure for the citizens the same equitable conditions for the exchange of their productions with other States which it grants to the merchants and producers of those States. The State which fails to exercise these functions and to procure these rights is weak, and disloyal to its own population.

331. In transacting business with other nations on these conditions British statesmen would be discharging their duty to these nations and fulfilling their obligations to their own population when they place British citizens in the position to exchange with foreign producers on equal terms in regard to the imposition of import duties the commodities produced by the employ-

ment of their own population for equivalent commodities of equal value which they require produced by the employment of foreign populations. And in the act of doing so they are not only exchanging the national products of the respective nations but the personal services of the British population for the personal services of the populations of the countries with whom they exchange productions, these services being included in both cases as part of the price or value of the goods exchanged.

332. The State is thus in duty bound to secure for the productions and commerce of the citizens the same equality of treatment in foreign countries which it grants to foreign countries within its own taxable area ; and in so far as it fails to accomplish this end it permits an injustice to be inflicted on them.

333. But there exists in the United Kingdom great diversity of opinion as to the effect upon the home population of levying duties upon imports, and as to the influence upon them of investing the citizens' money in foreign countries.

334. The theory on which Free Trade is founded claims to benefit the industrial population, and the system draws its main force from the belief thus created, because men fail to see that its effect in the experience of productive industry is to make the poor poorer.

335. But it has substantial support also from many of the wealthier classes because their experience shows that the economic effect of this

system is to make the rich richer by investing their money in foreign countries where it can earn higher dividends.

335A. In making these reflections I do not mean to suggest that the many great and honourable men who originated and supported the Free Trade system were actuated by a desire to injure the industrial classes whom they professed to benefit, or to confer a special benefit on the owners of capital whom they endeavoured to check, both of which turned out in the experience of industry to be the reverse of their intentions, but I do say they were mistaken in the methods they adopted to attain their object, because they failed to take into account the numerous hostile interests, many of which were legitimate, which the system was destined to encounter, and it may be further affirmed that when beneficence is put into antagonistic competition with self-interest or with the legitimate object of self-preservation, as it was in this instance, the stronger interest is sure to predominate.

336. When any theory advanced in support of an economic system claims acceptance as a scientific truth but fails to agree with the experience of productive and commercial industry it amounts to an economic dogma.

337. This claim has been made by politicians and economists on behalf of Free Trade for the guidance of British statesmen and people during the past sixty years, but people may be excused for questioning the correctness of the theory and the beneficial assumptions founded on it when

these are contradicted by the experience of productive and commercial industry.

338. Politicians and economists need not be surprised when the proverbial "coach and four" are driven through an economic system repudiated by all other great nations, which is penurious in its nature, wasteful of individual and national resources, and which runs counter to the powerful influences of people injuriously affected, and to the personal, financial and national interests which come into contact with it, cross its path and divert its course at every turning.

339. This Free Trade system is designed to reduce the wealth of the wealthy by imposing unprofitable conditions on the industries they carry on by means of the employment of the population. When, however, capable and intelligent citizens are abused, calumniated, and severely attacked as British producers often are, they cannot be blamed for trying in pursuance of the instinct of self-preservation to escape the blows aimed at them.

They do this effectually when they remove or transfer their investments from the dangerous locality and reinvest them in foreign countries where they help to produce employment and prosperity.

In the act of doing so they impoverish the poor at home by depriving them of the occupation included in the transferred industries, and by supplying from foreign sources with the profits of these investments many commodities used which might have been produced at home.

340. This Free Trade system aims also at im-

proving the conditions of the poor by depriving them of part of the occupation they might have in order that they may purchase the commodities they require for their support more cheaply than they can be produced at home under the conditions of home labour and the incidence of British taxation.

341. The main features of these opposing beliefs may be again briefly stated as follows :—

Tariff Reformers claim moderate but efficient protection equivalent to conditions of fair trade for all national productions or established industries within the country in which large capital sums have been expended, equitable or reciprocal conditions for the fair exchange of productions with other countries, equal and just laws for the adjustment of wages between employers and employed when the failure of voluntary methods creates the necessity for appeal to an impartial tribunal appointed by the State, and equitable readjustment of the incidence of taxation.

342. Free Traders are acutely opposed to Tariff Reformers, and their beliefs and ideals are as far apart as the poles. To them all the world is a state and men and women only actors in it, but the people who live in the taxable area of their own country must not have any advantage in the United Kingdom over the rest of the world, except by the cutting of prices when buying, which means either the cutting of wages or the omission to pay wages to the extent of 80 per cent. of the value of goods imported but capable of being produced, notwithstanding the refusal

of the nations which control that vast community to grant reciprocal privileges. They give full play to the survival of the fittest, no matter in what part of the world the fit may happen to be, or what conditions of wages, taxation, or transit, the unfit may be subject to. Any industry whether established or not which cannot stand this test must, according to their views, be left to perish. The people employed in it must be scattered to seek other occupations, and the property or capital expended in it must also be allowed to go to waste and be scrapped or confiscated. What this means to the capitalist and to the industrial community alike may be understood from a comparison of their respective interests as set out in the accompanying Tables of Capital Expenditure and Working Expenditure, A to G in the Appendix.

343. Against the low wages which are the outcome of this system trade unions are in constant revolt when they claim advances in wages without the power of those who pay wages to raise the price of the goods made which is largely fixed by competition from other States under unequal conditions, and not by the producer.

344. It is known that of the goods wholly produced in this country from 80 to 90 per cent. of the price is either made up directly of wages or by the purchase of commodities used and expenses incurred in other forms of industry, which principally consist of wages. Claims for increased wages become unreasonable when foreign competition makes it impossible to grant

them and to continue to trade. The deprivation of employment caused by purchasing foreign productions, which take the place of goods which could be produced at home, cannot therefore be ignored by wage earners.

345. People demand increased wages because the cost of living has been raised. This rise has been caused largely by increases in wages already granted to some of themselves, and the demand for increase has been pressed because they are taught by agitators, either unacquainted with the facts or indifferent to the consequences, that producers are extortioners who wrongly keep back from wage earners the enormous wealth which is known to exist, and the nature and operations of which they do not try to understand.

346. In this they fail to see that a very large proportion of this wealth already belongs to the wage-earning class, as illustrated in paragraph 52, and that every penny of the wealth which they covet, in so far as it exists in the United Kingdom, is already engaged in some form of industrial enterprise which gives employment and creates the means with which wages are paid, that it cannot be withdrawn from such uses without curtailment of employment, and that on the average it only earns a moderate rate of interest on the amount of capital required to carry on the industry.

347. But I have already shown that approximately £340,000,000 of the profits of British investments are earned in foreign countries, where this capital acts the part of absenteeism

in trade and distributes the wages of its operations in foreign countries. The dividends which make the home rich richer and the home poor poorer are only partly remitted to this country, and then only in goods which could to a considerable extent be produced at home, thus reducing home employment at the same time.

348. It would appear as in paragraph 273, that about £274,000,000 of the profits earned by British capital in foreign countries make no direct contribution to our local rates or national taxes. British citizens are also by this means deprived of a considerable portion of the revenue which would be yielded by as much of this trade as could be carried on in the United Kingdom. This would be applied in the relief of taxes, if profitable and stable conditions for the investment of the necessary capital existed at home.

349. The accompanying tables of production (A to G) show that the earned incomes derivable from the trade represented by £340,000,000 of foreign dividends would amount to about 1,082 millions per annum. The whole of this trade could not, however, under any circumstances be carried on in the United Kingdom ; but by the moderate protection of home industry a large proportion of it might be retained.

350. Some agitators and labour organisations claim the right to own the trade carried on with labour by means of the capital that exists without the self-denial necessary to acquire it, and act as if it were not already fully occupied in providing employment, and they erroneously assume that

home industry can afford to be bled profusely for the purpose of increasing wages without raising the price of the goods produced, for both the home consumption and foreign sale or exchange, and without curtailing the employment given.

351. If we compare the objects and methods of the system known as Fair Trade acquired by the exercise of moderate protection, with those of Free Trade obtained by the unconditional and compulsory surrender of the equal rights of citizens between themselves and between them and foreign countries, the advantages to be obtained by adopting the former will be apparent.

352. For the Fair Trade system it is claimed that additional wealth would be created for all classes by providing profitable conditions for productive and commercial enterprises within the taxable area of the State, and that the extra productions which this encouragement would originate would produce other trades and a demand for services, which would increase wages and provide additional remunerative employment for the population who are willing to work.

353. It is evident that the capital necessary to carry on this increased trade could find as profitable investment in foreign countries and the colonies as it would if invested in this manner at home. The home investment would, therefore, be almost entirely in the interest of the industrial population.

354. But protective encouragement for home industry has been condemned by the fear that the price of commodities used by the industrial popula-

tion would be increased in a greater proportion than their earnings.

355. It has been already shown that there is no foundation for this fear, and that the wages earned in industry are fifteen times as great as the whole tax, which, if raised at all, would only be raised by a small fraction of its total. This fear appears to have been strengthened by the prevailing, but erroneous, belief which seems to dominate these classes, that if trade were made more prosperous the extra profits would be appropriated by those who are already rich.

356. In holding this belief they fail to see that the extra profits in question would require the expenditure of an enormous amount of additional capital in the United Kingdom to carry on the added industries.

357. This capital would have to be withdrawn from foreign investments or gradually accumulated at home. It might be largely provided by the industrial classes themselves, and would require substantial remuneration in order to attract it, irrespective of the class which provided it.

358. There is not, however, any solid ground for jealousy in regard to the distribution of the rewards of profitable industry, but, on the contrary, there is a strong probability that organised labour with reasonable demands would still be competent to procure its equitable share of the earnings of industry by peaceful methods, under the State control of combinations for the protection of labour and capital, as already explained.

359. Even if the charge were true that the rich would earn larger profits the community would still be the greater gainers, because wages form the largest item of home expenditure in the cost of production, and the increased profits would be re-expended in industry.

360. Instead of hoarding up these earnings, as the inexperienced and uninformed imagine, the capitalist would spend them again, either in personal support by the purchase of goods from his fellow-citizens, or as capital which he would expend in productive enterprises. In either event he would benefit his fellow-citizens. In the latter he would use the talent entrusted to him profitably. Such expenditure in trade by the capitalist does not, therefore, deserve the jealous censure with which it is frequently denounced in the absence of accurate knowledge of the conditions under which it is employed, and the benefits it confers on the community by industry.

361. On the contrary, it has been commended by the highest Moral Authority Who taught that he who employed the talents entrusted to him profitably was worthy to be entrusted with other talents, and the accumulation here implied is what actually takes place in successful industry.

362. The adherents of the British Free Trade system claim that this system promotes the well-being of the population in the most effective and economic manner, at all times and under all circumstances, and they credit it with having raised the industrial population of the United Kingdom to a

condition of comfort and prosperity not equalled by the populations of other States.

363. As the productive and commercial destinies of the United Kingdom are largely controlled by this system, the validity of these claims demands the closest scrutiny, for if the benefits it professes to confer be illusory, the continuation of the system may jeopardise our commercial position, endanger trade possibilities with our colonies, and injure permanently the production and commerce by which the citizens obtain their livelihood.

364. It is well known that the practice of dumping foreign goods on the British market under Free Trade conditions as well as the ordinary method of free admission for manufactured goods has already done immense injury by the gradual curtailment, and by the practical extinction through unprofitable conditions, of a number of once flourishing British industries.

365. Success under extreme competition demands the abandonment of such antiquated procedure, and a continuous adaptation of business to new methods and varying conditions, just as successful production under competition requires the scrapping of obsolete machinery.

366. No manufacturing or commercial industry coming into contact with continually varying circumstances could be successfully conducted under the conditions of unalterable permanence which this Free Trade system claims to accomplish for the citizens.

367. It is scarcely possible to frame any law which cannot be got over or counteracted by the

ingenuity of the human mind. That ingenuity has been applied with subtle force by foreign nations, who have taken advantage of a national weakness to get the better of British industry.

368. The abandonment of the system and the substitution of a more equitable one is, therefore, urgent in the interest of the trade of the United Kingdom, the profitable employment of the population, and the retention of our colonial trade and possessions.

369. In the unequal competitive struggle, which ensues under the Free Trade system the fittest only are capable of remunerative employment. The weak, lazy, or unthrifty are thus driven into a condition of poverty. In order to remedy this, trade unions demand a minimum wage for the services the unthrifty sell, which is inconsistent with the cheap competitive conditions they seek to maintain for what they buy.

370. To remedy the resultant deficiency State Socialism claims that if the unfit, who have been driven to the wall by the application of "the survival of the fittest," are unable to support themselves by purchasing the commodities they require with the limited means thus placed at their disposal, those who have survived in the struggle should be compelled to pay local rates to support them in idleness in the degraded position of paupers, or to pay national taxes in order to put them in the position of State pensioners.

371. The State is responsible for the well-being of its citizens and the legislature, which is elected to defend and protect their interests, can

promote their material prosperity effectually by exercising its bargaining power in making reciprocal conditions of exchange with the colonies and commercial treaties with other States for the profitable and prompt disposal of their productions ; or in the event of failure to do so amicably, it can provide fiscal regulations designed to secure such profitable conditions of exchange as will create constant and remunerative employment for them. In the doing of this it can, as has been previously shown, serve the double purpose of procuring increased trade between the mother country and the colonies, or foreign countries, and by the same economic action it can also give the colonies a substantial and financial interest in being a part of the British Empire.

372. In formulating a commercial system, the economists who are guided by the experience of British industry in preference to the speculative theories of Free Trade economists claim that it is the duty of statesmen to protect the interests of the citizens who elect them, and they show by the experience of industry that these interests are not promoted by granting a preference in the British market to foreign productions as carried out under this Free Trade system.

373. They accordingly claim that our producers and merchants should not be handicapped by unequal conditions, but that our commercial system should be specifically designed to benefit them, and with them the population who pay for the defence of their occupations and the protection of these industries.

374. They further allege that the industrial development credited to Free Trade was largely produced by causes other than Free Trade, and that there are influences at work in economic development not dreamt of in the philosophy of Free Trade finance, which, if applied to industry, would increase the earning power of the population by spreading and equalising the benefits to a far greater extent than the tax imposed or the rise in the prices of home commodities which might follow it.

375. Economists who advocate Fair Trade for citizens, therefore, claim that the State should retain its freedom to negotiate commercial treaties or if necessary to exact Import duties for the purpose of enforcing equitable conditions of exchange for the productions of the citizens. They further claim that the executive government should use whatever means may be within its power to effectually counteract such foreign influences as are hostile to the progress and prosperity of the industries carried on, or which are capable of being carried on within the taxable area of the State should any considerable body of citizens desire to conduct them.

CHAPTER XV

CONCLUSION.

376. Finally, it is contended that the claim for superiority over other systems made on behalf of Free Trade cannot be sustained in face of the evidence adduced from the rate of industrial progress made by Germany and the United States of America (as will be seen from the Table, paragraph 250). These countries do not conduct their business transactions with other nations in conformity with British Free Trade ideals, and yet they maintain a better standard of comfort for their industrial populations than that of the British, notwithstanding the superior claims attempted to be made for them. These claims are based on the power to purchase the commodities they require for their support cheaper than what can be done in the other countries, without considering the purchasing power of the wages earned. The advocates for the substitution of Fair Trade for Free Trade relations with other States as experienced in the United Kingdom, therefore claim :—

377. (a) That the British Free Trade system is injuriously partisan in its object and operations. That it is founded upon injustice, because it favours some British industries and some classes of citizens to the injury of other industries and classes which are entitled to equal justice from the State. That the State does not under this system hold the scales fairly in regard to the

dealings of citizens with each other, and with the traders of other countries.

378. (*b*) That the conditions of famine, which gave the impetus that made Free Trade possible, were only temporary and did not require the supposed permanent remedy of Free Trade, which was erroneously assumed to be suitable for all time.

379. (*c*) That this system gives a preference in the British market to the products of other States equal to the British taxation levied on production and on the redistribution of the expenditure incurred in it without exacting an equivalent, and by this process it penalises citizen producers for the questionable benefit to the citizen consumers of purchasing cheaply which has been shown to be illusory.

380. (*d*) That this system contains the elements of disloyalty, disintegration and decay, which has been so far partly averted or delayed by the unnecessary wastage of British national resources, principally in the produce of the land, in coal, and in labour.

381. (*e*) That although a certain amount of poverty, produced by environment and incident to human nature, is present in every State, the British Free Trade system is to a considerable extent responsible for many of the extremes of wealth and poverty experienced in the United Kingdom, and for the development of modern Socialism and Syndicalism put forward as remedies because it has produced many of these extremes, and, therefore, much of the discontent, which under Socialistic teaching gives it additional impetus,

tempts the poor to look with covetous eyes on the wealth which the rich possess, and to demand its more equal division, instead of using personal exertions to provide for and advance themselves.

382. (*f*) Under existing conditions, British citizens are trained to look upon foreign nations from whom they purchase cheap goods as their special benefactors, not because they are really so, but because they are made so artificially by fiscal laws which compel the home producers and wage earners who make goods to provide local and national taxes on their own productions directly, and indirectly to bear the burden of tax which untaxed imports of similar foreign goods should provide. This is made effective by their being compelled to accept for the goods they make, and the wages included in their cost of production, a price below their natural value in the United Kingdom, under the conditions of British labour and the incidence of British taxation.

383. (*g*) By this system the citizens are thus trained up in disloyalty to their fellow-citizens, and to their own country, which they have ceased to look upon as their best friend, because it only provides them with starvation wages. They, therefore, imagine that foreigners are their special benefactors, and their fellow-citizens extortioners. This feature is frequently discernible in the conduct of those who hold Free Trade views, when they belittle their own country, as they often do, and defend and applaud the actions of foreign nations, even when hostile to their own.

384. When these questions are enquired into

we find abundant reasons for the anti-British attitude adopted by many citizens, and we cannot wonder why our great soldiers appeal in vain for recruits to fill the gaps in the British army.

385. Men ask with reason, who cares to fight for a country which offers few prospects in life for a large proportion of its most competent citizens, and who have to emigrate to other lands in order to find scope for their laudable ambitions? Who cares to fight for a State, which, when the fight is won, disputes the justice of the quarrel and then gives away for naught the benefits obtained by the expenditure of blood and treasure, lets the conquered go free and compels their own countrymen to bear the whole burden? Who cares to toil and work with the prospect of being compelled by the State to divide the rewards of his own industry with the lazy and thriftless in a condition of life which has few higher aims than the dead level of paupers and State pensioners for a large proportion of its population? Who cares to fight for a State which gives greater benefits to the rest of the world who do not contribute anything to pay its management expenses than to its own citizens who bear the whole burden of local rates and national taxes?

386. Can this spirit of disloyalty and disintegration evidenced by envious grudge and directed to pull down those who have succeeded not be displaced by the cultivation of a spirit of patriotism to work for the common weal and by this means to promote their personal advancement?

387. Can the spirit of selfish envy which appears

to be jealous of everyone and everything superior to itself, and aims at pulling down in a year what has taken centuries to build up, often wantonly and wastefully misappropriating what it destroys, not be driven out of the hearts of men by wiser counsels directed to educate the people with wider and higher views of duty and of the business of life, to fully equip them for its varying duties, and to implant in them laudable ambitions to rise to the higher levels they aim at by their own personal efforts ?

388. Surely this would be preferable to the popular remedy, which seeks to live on the capital which keeps industry going and to appropriate and distribute among the people by doles what others have acquired by similar personal effort in an economic struggle in which they have survived and come out victorious against heavy but unnecessary handicaps to British industry.

389. And should they not be encouraged and aided in this effort by the intervention of the State (which now interferes in numerous other ways to protect the interests of individuals and classes) when this can be done without any appreciable increase in the incidence of National or Local burdens ?

390. A higher destiny for the industrial population ought to be attained by united economic co-operation of the employers and the employed in a country endowed by so many natural resources, and inhabited by a people who inherit the genius which built up the industries of the United Kingdom, and made it a pioneer in

the inventions and industrial development which revolutionised the world to a greater extent within the last century than the progress made in all the previous epochs of its history.

391. To eradicate this spirit of envy from the minds of men, instead of fanning it into flame as many agitators do, and to lead them to success by their own efforts, will be a greater achievement than the conquest of continents, for it will be a conquest of the evil dispositions of the human heart which produce covetousness, discontent, and unhappiness, notwithstanding its capacity for the highest enjoyment with contentment. This can be best accomplished by teaching the citizens to do their respective duties, in whatever condition of life they may find themselves, so as to obtain promotion or advancement as the reward of merit.

392. If the State be managed in the interest of the community which pays for it, if taxes be levied equitably in proportion to the expenses incurred in managing, defending, and protecting the interests of the citizens called upon to pay, as is done in commercial enterprises; if laws giving equal treatment and opportunity to every citizen, be enacted and justly administered;

393. If equitable conditions for the exchange of the productions of the citizens with other countries with whom they trade, be provided and enforced by the State;

394. If every citizen will endeavour to live soberly and spend on his personal support less than he earns, accumulate gradually his savings,

and invest them in productive enterprises within the taxable area of the State, where they will create employment for the population and profit for himself ;

395. If inexpensive and equitable methods, such as Industrial Courts of Appeal, be established by the State as the guardian of the interest of all the citizens for the adjustment of the rewards of capital and labour without resort to wasteful industrial warfare, and without exposing trade secrets, and if its decisions be enforced as other legal decisions are by fines or imprisonments, when loss has been inflicted or injury done to the property, employment, or persons of other sections of the community.

396. If the doing of wrong and the infliction of injury to the persons, property or privileges of other citizens, who have a right to equal justice, be put down by prompt and righteous administration of the law, instead of being encouraged by the palliation of offences and rewards for outrages ;

397. If the enjoyment of liberty be as universal as is consistent with the liberty of others, and if the abuse of liberty be punished by deprivation of the right to enjoy it ;

398. If the British people will learn to think for themselves instead of following blindly the advice of interested politicians ; if they will be guided by honest, independent, intelligent and matured consideration as to the effects of their actions,

And if they will cease to be slavish imitators of other men, and of obsolete ideals and methods,

and be guided by the principle of "doing to others as they would that others should do to them," and at the same time respectfully and firmly require similar treatment to what they give to others with whom they have dealings ;

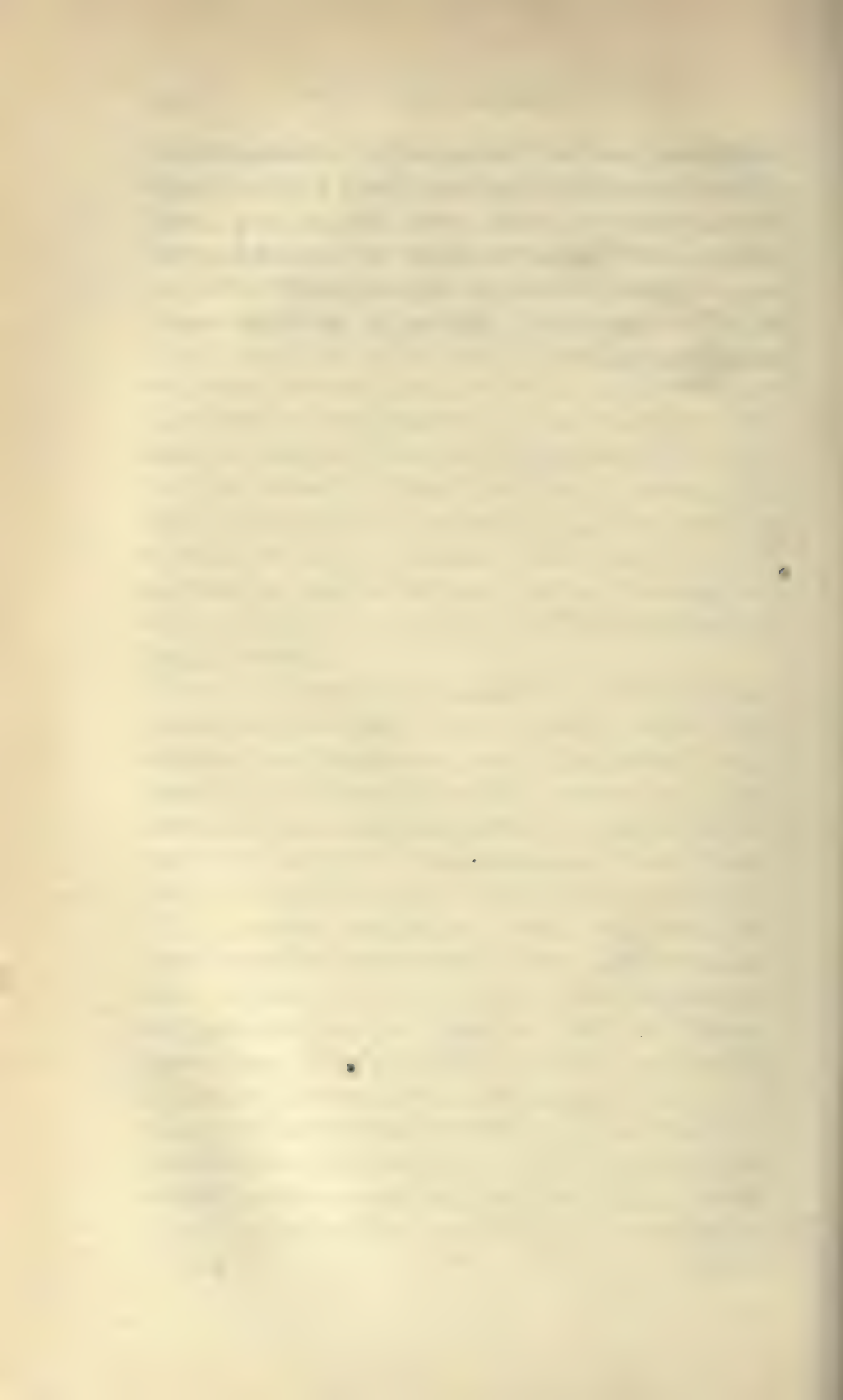
399. It will not be necessary for them to leave the country of their birth, training, and education to seek their fortunes in other lands, to live on the charity of their neighbours or on the pension of the State, for they will then receive and enjoy at home the just reward of their own work, genius, and ability, which will enable every man, who is willing to work, to live in comfort. But the State will not then be perfect because the people who live in it will still be actuated by the instincts of human nature.

These natures will continue to develop the covetous and selfish characteristics which now produce the discontent and unhappiness from which the community suffers, except they are prevented from exercising them to the injury of others by the State, or are restrained from doing so by the internal force of their moral training.

The modern secularism which dominates the community not only repudiates the obligation for such training by the State, but demands the misappropriation of private gifts of former generations for this object, and the application of them to purely secular purposes.

400. By recognising the utility and economy of this obligation in making provision for the moral training of the population, and by the enactment of just laws providing for the equal treatment of

all citizens, and for the impartial administration of these laws, British statesmen will best promote the happiness of their own countrymen and maintain the United Kingdom in a condition of prosperity which shall not be surpassed by other States, or successfully challenged by other competing nations.



APPENDIX

TABLES

SHOWING THE EXPENSES INCURRED IN
THE PRODUCTION AND DISTRIBUTION OF BRITISH GOODS,
THE CAPITAL REQUIRED TO CONDUCT THE BUSINESS,
AND THE EARNINGS AND EMPLOYMENT PROVIDED BY IT,
BASED ON THE EXPERIENCE OF BRITISH INDUSTRY

COMPILED BY

ROBERT WALSH, F.C.A., F.S.S.

Being the Appendix to his book on "The Principles of
Industrial Economy."

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INTRODUCTION

THE following Tables form an appendix to the author's book on the Principles of Industrial Economy in which the conclusions derivable from these Tables affecting industry, employment and prosperity are examined. Those who desire to study the subject from the standpoint of experience and to draw their own conclusions will find interesting material for doing so in this appendix.

These analysed Tables show the expenditure incurred in the production and distribution of British goods and are intended to illustrate the nature of the operations involved in the carrying on of industry, principally in the production of food and clothing and in the redistribution of the expenditure incurred in them and in other subsidiary industries.

These items have been chosen to illustrate the relationship of industry to the social condition of the population, because the largest part of the earnings from industry is expended on the production of the commodities which are required for personal support.

By an examination of these Tables it will be seen how closely the individuals of the community are attached to and dependent on each other in the process of industry ; how, and to what extent, the industrial expenditure of one set of individuals becomes the income of another set ; how this income, as it passes round, is expended by redistribution in the support of the people who earn it, and who, in the spending of it, employ and pay other sets of individuals to procure and to distribute the goods they use.

They further show that the State, whose principal function is to secure the well-being of the population and to dispense equal justice to the citizens, cannot do so and permit the earnings of any class to be depleted by substituting for home products foreign goods capable of being produced within its own taxable area otherwise than by exchange of productions, or by the exaction of a substantial import duty, without inflicting an injury on the citizens and partners in the State who form other sets and who, but for this foreign purchase, would have produced these goods.

These Tables are constructed from an extensive collection of the actual expenses incurred in the production and distribution of goods which constitute the earnings of the population based on the actual experience of trade in the United Kingdom over an average of years.

They include periods of prosperity and depression in industry and contain the average analysed working expenditure and capital expenditure incurred in the production and distribution of British goods, and in the support of the population employed in their production and distribution for all the principal and

for a large number of minor industries carried on in the United Kingdom.

The Tables are calculated from the tabulated percentages which the various items of expenditure incurred in the production and distribution of the goods bear to the amount received for the sale of them in the actual experience of British Industry.

These Tables show also the amount and nature of the capital expenditure required to complete in one year the extent of industry represented in the columns at foot of which the amount of capital required to carry on the industry is set out. This capital expenditure includes the total assets which are paid for by money due to creditors as well as by the capital belonging to the proprietors both being used in conducting the business. The number of people who would be employed one whole year in the work is also stated.

The Tables were constructed from the expenditure incurred in trade prior to the enactment of provisions for workmen's compensation, Old Age Pensions, and National and invalidity insurance, all of which added considerably to the expenditure incurred in production and made a corresponding reduction in the profits of industry without the power to raise the price of goods or the wages of the citizens in many of the industries carried on.

I have enquired into these additional charges on industry and find that the increased incidence of taxation in consequence of these charges cannot be accurately ascertained, being in the experimental stage. Many of the rates which have been charged for some years have had to be increased because the original rates were found insufficient to meet the expenditure incurred by insurers under contracts on policies.

It is necessary to explain that these Tables being based on averages of expenses which are continually changing not only in value as a whole but in various districts, many of them changing also in the rate they bear to each other and to the selling price, cannot be taken as disclosing at any particular date the cost prices in any of the industries named. They do, however, represent the approximate relative proportions of the expenditure incurred in trade and form reliable data for the study of economic science from the practical standpoint of experience in industry, and for the correction or modification of theoretical deductions which require the confirmation of experience in order to merit confidence.

ROBERT WALSH.

Belfast, 1st October, 1912.

TABLE A.
DESCRIPTION OF PARTS I., II., III., AND IV.

This table shows the comparative benefits conferred on the population and on the State by the following alternative methods of using 7,150,000 acres of land :—

(a) Producing within the United Kingdom instead of importing the 5,762,740 tons of wheat and flour imported in the year 1904, by the cultivation of 7,150,000 acres, portion of 33,933,766 acres now used as pasture, and leaving 26,843 766 acres still available for grazing.

The analysed annual expenditure incurred in the production of this wheat is set out in Table A, Part II., col. 1, Nos. 11 to 29, with the expenditure incurred in milling the flour imported now spent abroad, added and analysed (Table A, Part II., col. 2, Nos. 11 to 29).

(b) Using 7,150,000 acres as pasture the analysed annual expenditure on which is set out in Table A, Part II., col. 4, Nos. 13 to 29, and purchasing and importing free of duty, 5,762,740 tons of wheat at a cost of £40,391,859 produced by the populations of other countries, with the proportion of the freight thereon earned by British vessels in carrying same spent in the United Kingdom, and the proportion of the balance of freight thereon earned by foreign vessels spent in British ports (Table A, Part II., col. 5, Nos. 14 to 29) added. Table A, Part II., col. 7, represents the difference between the alternative methods of trading, and shows the production of wealth in one year in the United Kingdom of £29,479,490 in excess of the wealth produced by pasture.

(c) Showing also,

(1) The additional wealth (£28,412,816) created by the redistribution of the expenditure incurred in this industry in one year, Table A, Part II., col. 8, as detailed in Table A, Part III., and Table A, Part IV.

(2) The capital required to carry on the various branches of business to the extent represented by the totals of the various analysed columns and set out Table A, Part II., cols. 30 to 35; Table A, Part III., cols. 49 to 54; Table A, Part IV., cols. 28 to 33.

(3) The number of people employed within the United Kingdom (Table A, Part II., col. 36; Table A, Part III., col. 55; Table A, Part IV., col. 34) by the carrying on of this industry and by the redistribution of the excess of expenditure on wheat and milling, over the expenditure on pasture and freight, for wages, salaries, rent, interest, etc., required to support the population employed in these industries.

DESCRIPTION OF TABLES OF PRODUCTION OF GOODS IN THE UNITED KINGDOM.

EXPLANATION OF TABLE A, PART II.

TABLE A, PART II., sets out the analysed expenditure including the distribution of wages and trade which should take place in the United Kingdom by producing the 5,762,740 tons of wheat, and wheat products imported, and the loss sustained in the United Kingdom by its neglect to do so.

COLUMN 1, Nos. 11-29, sets out the analysed expenditure of £51,837,500 (Col. 1, No. 29), which would be incurred in the production of wheat with the capital required to produce it, £191,453,000 (Col. 1, Nos. 30 to 35), and the number of people, 382,160 (Col. 1, No. 36), who would be employed for a year in producing the quantity we import.

COLUMN 2, Nos. 11-29, sets out the expenditure of £814,000 which would take place, the capital of £2,952,000 (Nos. 30 to 35) required, and the number of people, 3,360 (Col. 2, No. 36), who would be employed in the United Kingdom in milling the flour and other products of wheat which we import in a partly manufactured condition. These sums would be distributed in our own country if we grew the wheat which produces the flour we import.

The items in this column are therefore added to the first column as an additional loss incurred by purchasing instead of producing.

COLUMN 3, Nos. 11-29, shows the total of columns 1 and 2, and represents the total analysed annual loss to the population of the United Kingdom by purchasing instead of producing the wheat and flour we import.

COLUMN 4, Nos. 11-29, as the 7,150,000 acres of land set out in Table A, Part I, required to produce the 5,762,740 tons of wheat and its products imported is not now idle, but is used in the less productive form of grazing land, the analysed expenditure of £19,662,500 incurred in the produce of an equal quantity of pasture land which shows its alternative use, is set out in Col. 4, Nos. 11 to 29. The £182,530,000 capital which would be employed (Col. 4, No. 30 to 35), and the number of people, 212,140, who would be engaged one year (Col. 4, No. 36).

COLUMN 5. But if we produce the wheat we now import from abroad the proportion of freight, £3,509,510 (Col. 5, Nos. 11 to 29), earned by British and foreign vessels in carrying it and expended or retained in the United Kingdom would be lost, as well as the produce of grazing. This loss is analysed and set out in Col. 5, Nos. 11 to 29 with the capital, £6,375,900, which would be employed in shipping (Col. 5, No. 32), and

the number of people, 20,490 (Col. 5, No. 36), who would be employed one year.

COLUMN 6. The total of Cols. 4 and 5 is set out in Col. 6, and represents the displacement of expenditure in existing industry of £23,172,010 (Col. 6, Nos. 13 to 29), by producing instead of importing the wheat we require to supplement our own production. It also shows the capital, £188,905,900 (Col. 6, Nos. 30 to 35), and the number of people, 232,630 (Col. 6, No. 36) who would be displaced by being transferred to the production of wheat.

COLUMN 7. The total analysed benefit of £23,172,010 arising out of production from grazing, and freight added, lost to the United Kingdom by substituting wheat for pasture stated in Col. 6, Nos. 11 to 29, is deducted from the total analysed benefit of £52,651,500 arising from the production of wheat and the milling of wheat products added, as set out in Col. 3, is stated in Col. 7. This Col. 7, therefore, represents the first or direct loss of £29,479,490 (Col. 7, Nos. 12 to 29) to the United Kingdom by using wheat lands as pasture, together with the additional capital of £5,499,100 (Col. 7, Nos. 30 to 35), which would have been required and the number of additional people, 152,890 (Col. 7, No. 36) who would have found employment for a year.

COLUMN 8. If the wheat had been produced instead of being imported all the trade and wages or other expenditure represented in the analysis of Col. 7 would have been again expended or redistributed in support of the people employed and in the promotion of other industries which give employment. The trades benefited by the redistribution analysed under similar headings is set out in Col. 8, which represents additional loss to the United Kingdom by failure to produce the wheat and products of wheat we purchase from abroad.

COLUMN 9. The direct loss, £29,479,490 from failure to produce appearing in Col. 7, Nos. 11 to 29, added to the loss of £28,412,816 from the failure to redistribute the earnings from it, set out in Col. 8, Nos. 14 to 29, is shown in its analysed form at £57,892,306 in Col. 9, Nos. 12 to 29 with the capital £108,255,000, Col. 9, Nos. 30 to 35, which would have been employed in these additional industries and the number of people, 309,040 (Col. 9, No. 36), which would have found employment for one year in these additional industries.

TABLE A.—

No.	Description of Expenditure.	A		
		1	2	3
		Analysis of British cost of producing 5,762,740 tons of Wheat from 7,150,000 acres. Yield, 30'09 bushels.	Add cost of milling at home imported meal and flour. British earnings.	Total British earnings of trade by producing instead of importing 5,762,740 tons of wheat.
11	Foreign Produce or Disbursement ...	—	6,143,411	—
12	Seed	4,647,500	—	4,647,500
13	Artificial Manure	13,585,000	—	13,585,000
14	Goods the Product of other Industries	715,000	61,224	776,224
15	Coal	804,375	229,595	1,033,970
16	Light	357,500	11,132	368,632
17	Freight	625,625	—	625,625
18	Railway Carriage and Cartage ...	5,898,750	111,318	6,010,068
19	General Expenses	1,251,250	30,613	1,281,863
20	Subscriptions	327,710	—	327,710
21	Local Rates	1,191,666	25,047	1,216,713
22	Government taxes, stamps & telegrams	774,584	18,080	792,664
23	Wages	11,082,500	147,496	11,229,996
24	Management Salaries	3,455,833	38,960	3,494,793
25	Interest on Capital	1,787,500	126,620	1,914,120
26	Rents	4,945,417	—	4,945,417
27	TOTAL	51,450,210	800,085	52,250,295
28	Insurance	387,290	13,915	401,205
29	NET TOTAL	51,837,500	814,000	52,651,500
	viz. Wheat - 5 13 0 £40,391,859 " Straw and " Oflal - 1 12 0 11,445,641 Yield £7 5 0 per acre	51,837,500	6,957,411	—
30	CAPITAL Land and Property ...	121,299,750	95,000	121,394,750
31	" Buildings	22,808,500	575,000	23,383,500
32	" Plant and Utensils	11,404,250	320,000	11,724,250
33	" Debts	5,702,000	682,000	6,384,000
34	" Stock	30,238,500	1,280,000	31,518,500
35	TOTAL CAPITAL ...	191,453,000	2,952,000	194,405,000
36	Number of People employed ...	382,160	3,360	385,520

PART II.

b				c		No.
4	5	6	7	8	9	
Analysis of production and expenditure on 7,150,000 acres of grazing land.	Wheat purchased and analysis of British proportion of freight retained and spent in United Kingdom.	Total produce of grazing, and of freight on imported grain.	Balance being British loss of trade and earnings by purchasing instead of producing 5,762,740 tons of wheat.	Analysis of the redistribution of Col. No. 7, Table A, Part III.	Total being loss sustained in trade in United Kingdom by purchasing instead of producing 5,762,740 tons of wheat.	
Wheat = Part freight Spent abrd:	34,340,979 2,541,370	—	—	1,066,674	—	11
—	—	—	4,647,500	—	4,647,500	12
1,787,500	—	1,787,500	11,797,500	—	11,797,500	13
417,083	347,441	764,524	11,700	8,364,465	8,376,165	14
715,000	291,290	1,006,290	27,680	1,083,084	1,110,764	15
297,917	70,190	368,107	525	268,851	269,376	16
178,750	—	178,750	446,875	654,096	1,100,971	17
536,250	10,528	546,778	5,463,290	1,897,870	7,361,160	18
446,875	372,008	818,883	462,980	578,305	1,041,285	19
178,750	28,076	206,826	120,884	155,773	276,657	20
1,072,500	70,190	1,142,690	74,023	497,504	571,527	21
595,833	38,605	634,438	158,226	720,720	878,946	22
3,575,000	1,273,952	4,848,952	6,381,044	6,411,443	12,792,487	23
2,860,000	336,913	3,196,913	297,880	2,447,204	2,745,084	24
1,787,500	126,343	1,913,843	277	3,774,872	3,775,149	25
4,945,417	—	4,945,417	—	1,304,421	1,304,421	26
19,394,375	2,565,536	22,359,911	29,890,384	28,158,608	58,048,992	27
268,125	543,974	812,099	deduct 410,894	254,208	deduct 156,686	28
19,662,500	3,509,510	23,172,010	29,479,490	28,412,816	57,892,306	29
{ Yield £2 15 0 per acre. }	40,391,859	—	—	29,479,490	—	
121,299,750	—	121,299,750	95,000	50,913,250	51,008,250	30
8,651,500	—	8,651,500	14,732,000	9,686,410	24,418,410	31
4,325,750	6,375,900	10,701,650	1,022,600	13,532,740	14,555,340	32
2,163,000	—	2,163,000	4,221,000	7,107,730	11,328,730	33
46,090,000	—	46,090,000	20,070,600 ded. 14,571,500	21,515,770	6,944,270	34
182,530,000	6,375,900	188,905,900	5,499,100	102,755,900	108,255,000	35
212,140	20,490	232,630	152,890	156,150	309,040	36

EXPLANATION OF TABLE A, PART III.

TABLE A, PART III., represents the analysed expenditure incurred by the redistribution of the trade which might have been retained in the United Kingdom by producing instead of purchasing the wheat we import, the capital required to produce it, and the number of people who might have been employed in it for a whole year. It will be noticed that Table A, Part III, takes up the items set out in Table A, Part II., in consecutive order and redistributes the trade represented by each item of Table A, Part II., Col. 7, which is not the total cost of production of wheat but the loss sustained after deducting the alternative trades displaced.

COLUMN 1, Nos. 21 to 36, sets out the analysis of the expenditure incurred in producing £4,647,500 worth of seed required to sow 7,150,000 acres of wheat, with the capital, £25,283,600 (Col. 1, Nos. 49 to 54), required, and the number of people, 46,245 (Col. 1, No. 55), who would be required for a year in its production as set out in Table A, Part II., Col. 7, No. 12.

COLUMN 2, Nos. 21 to 48, sets out the analysis of the expenditure incurred in producing £11,797,500 worth of artificial manure required for the growth of this wheat, with the capital of £14,666,000 (Col. 2, Nos. 49 to 54), and the number of people, 43,194 (Col. 2, No. 55), employed for a whole year in producing it, as set out in Table A, Part II., Col. 7, No. 13.

COLUMN 3, Nos. 21 to 48, sets out the analysed expenditure in trade incurred in producing £11,700 of goods, the product of other industries with the capital of £15,800, Col. 3, Nos. 49 to 54 required, and the number of people employed, 74 (Col. 3, No. 55), as set out in Table A, Part II., Col. 7, No. 14.

COLUMN 4, Nos. 21 to 36, sets out the analysed expenditure in trade incurred in procuring and supplying the £27,680 worth of coal, which would have been used, together with the capital of £38,480 (Col. 4, Nos. 49 to 54) required, and the number of people, 150 (Col. 4, No. 55), who would have been employed one year, as set out in Table A, Part II., Col. 7, No. 15.

COLUMN 5, Nos. 21 to 48, sets out the analysed expenditure incurred in manufacturing £525 worth of gas light used, with the capital of £1,690 (Col. 5, Nos. 49 to 54) required, and the number of people, 1 (Col. 5, No. 55), who would have been employed one year, as set out in Table A, Part II., Col. 7, No. 16.

COLUMN 6, Nos. 21 to 48, sets out the analysed expenditure in trade, incurred by £446,875 of freight which would have been paid in doing the redistribution business, the capital of £960,780 (Col. 6, No. 54), required to transact the business, and the number of people, 1,517 (Col. 6, No. 55) employed one year, as set out in Table A, Part II., Col. 7, No. 17.

COLUMN 7, Nos. 21 to 48, sets out the analysed expenditure in trade, created by £5,463,290 of railway carriage and cartage, with the capital employed in transacting the business, £48,732,550 (Col. 7, Nos. 49 to 54), and the number of people, 27,295 (Col. 7, No. 55), who would be employed one year, as set out in Table A, Part II., Col. 7, No. 18.

- COLUMN 8, Nos. 21 to 36,** sets out the analysed expenditure in trade incurred in redistribution of £462,980 for general expenses as set out in Table A, Part II., Col. 7, No. 19.
- COLUMN 9, Nos. 22 to 48,** sets out the analysed expenditure incurred in the redistribution of £120,884 of donations and subscriptions, as set out in Table A, Part II., Col. 7, No. 20.
- COLUMN 10, Nos. 21 to 48,** sets out the analysed expenditure incurred in the redistribution of £74,023 of local rates as set out in Table A, Part II., Col. 7, No. 21, with the capital of £587,730 (Col. 10, Nos. 49 to 54), and the number of people, 328 (Col. 10, No. 55), who would be employed one whole year.
- COLUMN 11, Nos. 21 to 48,** sets out the analysed expenditure incurred by the redistribution of £158,226 of government taxes as set out in Table A, Part II., Col. 7, No. 22, with the capital of £1,265,800 (Col. 11, Nos. 49 to 54), with the number of people, 429, who would be employed one whole year (Col. 11, No. 55).
- COLUMN 12, Nos. 22 to 48,** sets out the analysed expenditure in trade produced by the redistribution of £6,381,044 of wages in support of the people employed as set out in Table A, Part II., Col. 7, No. 23.
- COLUMN 13, Nos. 23 to 48,** sets out the analysed expenditure in trade produced by the redistribution of £297,880 of salaries and commissions in support of the people employed, as set out in Table A, Part II., Col. 7, No. 24.
- COLUMN 14, Nos. 21 to 48,** sets out the analysed expenditure incurred in trade by spending £277 of interest, as set out in Table A, Part II., Col. 7, No. 25.
- COLUMN 15,** represents the total of the fourteen previous columns added, and shows the total redistribution of £29,890,384 (Table A, Part II., Col. 7, Nos. 26 to 48).
- COLUMN 16, Nos. 21 to 36,** represents the analysed savings of £410,894 in insurance on freight by producing instead of importing the wheat we purchase, and this sum is deducted from total set out in Col. 15.
- COLUMN 17, Nos. 21 to 36,** represents the total analysed loss of £24,581,382 in redistribution by importing instead of producing the wheat we require to supplement the home crop, exclusive of the personal expenditure classified under lines 37 to 46, with the capital, £91,477,130 (Col. 17, Nos. 49 to 54), and the number of people, 123,030 (Col. 17, No. 55) deprived of employment in redistribution.
- COLUMN 18, Nos. 21 to 36,** sets out the analysed expenditure of £4,898,108, only classified in Table A, Part III., Nos. 37 to 46, and analysed in Table A, Part IV., carried into this table (Col. 18 from Col. 10 of Table A, Part IV.) to complete the analysis of the redistribution of the loss incurred by purchasing instead of producing the wheat we use.
- COLUMN 19, Nos. 21 to 36,** is the addition of Cols. Nos. 17 and 18, and represents the total expenditure of £29,479,490 incurred in the redistribution of the expenditure which would be incurred in the redistribution of the loss sustained by not producing the wheat we purchase, set out in Table A, Part II., Col. 7, Nos. 11 to 29, with the capital, £102,755,900 (Table A, Part III., Col. 19, Nos. 49 to 54), and the number of people, 156,150 (Table A, Part III., No. 55) who would be provided with one whole year's employment.

First Redistribution of the Expenditure incurred and the earnings derived from the culture incurred in the employment of 7,150,000 acres as pasture with the British proportion distributed in the promotion of other industries required to support the people engaged thereon.

No.		1 Wheat for Seed.	2 Artificial Manure.	3 Goods the pro- ducts of other Industries.	4 Coal.	5 Light.	6 Freight.	7 Railway Carriage and Carriage.	8 General Expenses.
21	Foreign raw material	—	353,925	2,808	—	—	134,063	—	67,59
22	Goods home industries	1,291,076	5,415,053	1,872	1,052	52	6,812	584,572	46,29
23	Coal	64,600	117,975	292	830	264	49,156	502,623	11,57
24	Light	30,209	47,190	94	23	1	2,234	38,243	—
25	Freights	64,600	353,925	304	4,816	10	—	103,803	12,08
26	Railway carriage and cartage	490,311	1,061,774	562	6,007	16	804	—	21,29
27	Insurance	30,209	70,785	35	83	2	40,219	27,316	3,70
28	General expenses	38,574	318,533	164	138	3	8,938	—	2,31
29	Subscriptions	26,025	35,393	23	55	—	1,341	—	—
30	Local rates	85,979	106,177	35	604	4	22,344	81,948	1,38
31	Government income	51,587	47,190	70	1,246	6	5,809	131,119	2,77
32	Wages	1,033,139	2,300,513	4,212	8,415	61	93,844	1,420,455	240,75
33	Salary and commissions ..	516,338	943,800	410	1,107	7	15,640	273,165	20,83
34	Rent of land and buildings ..	486,129	58,987	234	609	5	3,128	—	9,26
35	Interest on capital employed	438,724	566,280	585	2,630	84	37,428	2,289,119	23,14
36	TOTAL HOME EXPENDITURE ..	4,647,500	11,443,575	8,892	27,680	525	287,787	5,463,363	395,38
	TOTAL HOME AND FOREIGN EXPENDITURE	—	—	—	—	—	—	—	—
	CLASSIFIED EXPENDITURE, viz.								
37	Food Bread	—	—	—	—	—	4,469	—	—
38	„ Flesh meat	—	—	—	—	—	6,703	—	—
39	„ Other farm produce ..	—	—	—	—	—	6,703	—	—
40	„ groceries	—	—	—	—	—	4,469	10,927	—
41	Clothing	—	—	—	—	—	2,681	—	—
42	Education	—	—	—	—	—	—	—	—
43	Furnishings	—	—	—	—	—	—	—	—
44	Amusements	—	—	—	—	—	—	—	—
45	Money saved and invested ..	—	—	—	—	—	—	—	—
46	TOTAL CLASSIFIED EXPENDI- TURE	—	—	—	—	—	25,025	10,927	—
47	TOTAL BRITISH EXPENDITURE	4,647,500	11,443,575	8,892	27,680	525	312,812	5,463,290	395,385
48	TOTAL HOME AND FOREIGN EXPENDITURE	4,647,500	11,797,500	11,700	27,680	525	448,575	5,463,290	462,290
	CAPITAL REQUIRED								
49	Property	14,445,280	1,179,500	2,340	12,180	450	—	30,758,320	185,120
50	Buildings	3,611,320	1,100,000	2,460	—	240	—	2,239,950	83,340
51	Machinery and utensils ..	1,805,000	2,359,500	3,860	26,300	770	960,780	6,719,850	134,260
52	Stock	4,647,500	7,077,500	4,100	—	80	—	6,665,210	138,800
53	Debts	774,500	2,949,500	3,040	—	120	—	2,340,220	106,480
54	TOTAL CAPITAL	25,253,600	14,666,000	15,800	38,480	1,690	960,780	48,732,550	648,000
55	Number of people employed	46,245	43,194	74	150	1	1,517	27,295	4,152

PART III.

cultivation of 7,150,000 acres of Wheat in excess of the earnings derived from the expenditure of freights on imported Wheat added. Said earnings and expenditure incurred being re-
nd giving additional employment to the population.

9	10	11	12	13	14	15	16	17	18	19	No.
Subscriptions.	Local Rates.	Government Income.	Wages.	Salaries and Commission.	Interest.	Total.	Deduct Credit of Insurance.	Balance Net.	Table A, Part IV. Analysis of unnoted Classified Expenditure.	Total Redistribution Analysis.	
—	5,701	23,734	—	—	18	585,844	—	585,844	480,330	1,066,174	21
4,473	8,217	20,569	31,905	—	11	7,411,979	20,548	7,391,431	973,041	8,364,465	22
5,323	9,623	9,040	223,337	5,958	3	1,001,682	36,980	964,692	118,412	1,083,094	23
4,231	5,635	791	95,716	5,958	1	227,731	1,643	226,088	42,763	268,851	24
—	—	7,120	82,954	—	4	629,573	7,396	622,177	31,919	654,096	25
242	370	7,911	140,383	5,958	1	1,735,726	9,560	1,726,166	172,004	1,897,170	26
454	222	1,582	44,667	2,979	—	222,287	—	222,287	31,921	254,208	27
4,473	—	—	114,859	5,958	11	493,906	15,203	478,703	99,542	578,245	28
—	—	—	63,810	8,936	—	135,583	—	135,583	20,190	155,773	29
121	570	2,100	127,021	8,936	7	437,695	9,040	428,655	65,549	494,204	30
242	740	1,065	287,147	22,341	31	551,371	12,326	539,045	181,675	720,720	31
6,165	16,286	18,987	—	11,915	10	5,154,752	109,297	5,045,455	1,365,988	6,411,443	32
23,451	8,587	18,196	—	—	10	1,821,545	59,030	1,762,515	694,689	2,457,204	33
2,780	—	—	574,294	35,724	37	1,174,187	35,337	1,138,850	165,571	1,304,421	34
242	18,506	31,645	—	—	—	3,403,392	84,234	3,319,158	450,714	3,769,872	35
52,827	65,958	119,460	1,796,693	117,653	126	24,406,432	410,894	23,995,538	4,417,278	28,412,816	36
—	—	—	—	—	—	—	—	24,551,382	4,896,108	29,447,490	37
8,462	518	1,899	332,863	13,405	7	411,623	—	—	The above is the Analysis of this Classified Expenditure as in Table A, Part IV.	—	37
12,088	1,110	3,165	638,104	26,809	11	687,990	—	—		—	38
13,297	1,110	3,165	829,535	29,788	14	883,612	—	—		—	39
8,462	740	2,057	1,084,778	13,405	7	1,124,845	—	—		—	40
24,639	888	2,373	957,157	53,618	43	1,041,299	—	—		—	41
—	—	—	63,810	8,936	4	72,750	—	—		—	42
1,399	—	2,373	191,431	7,447	22	202,482	—	—		—	43
—	—	—	127,621	5,958	6	123,585	—	—		—	44
—	—	—	319,052	20,851	19	339,922	—	—		—	45
68,057	4,366	13,022	4,394,351	180,217	133	4,998,108	—	—	—	—	46
190,834	70,322	134,492	6,331,044	297,890	259	20,394,540	410,894	—	—	—	47
190,834	74,023	158,226	6,331,044	297,890	277	20,890,334	410,894	—	—	—	48
—	195,900	422,000	—	—	—	47,902,130	468,450	48,370,580	4,179,580	52,550,160	49
—	350,050	422,000	—	—	—	7,815,300	209,550	7,605,750	2,080,600	9,686,350	50
—	14,060	421,300	—	—	—	12,448,180	4,210	12,452,390	1,090,770	13,543,160	51
—	8,130	—	—	—	—	18,541,320	—	18,541,320	2,974,460	21,515,780	52
—	12,590	—	—	—	—	6,195,450	41,090	6,154,360	958,370	7,112,730	53
—	587,730	1,265,800	—	—	—	92,209,430	723,300	91,486,130	11,278,770	102,764,900	54
213	328	429	1,436	295	1	125,930	2,300	123,630	33,120	156,750	55

EXPLANATION OF TABLE A, PART IV.

TABLE A, PART IV. It will be noticed that in Table A, Part III. items Nos. 37 to 45, are only classified, not analysed under the headings of Table A, Part II., of which it is intended to be a sub-analysis. This has been done with the object of showing more fully the nature of the expenditure incurred in the support of the people employed which is fully set out in Table A, Part IV. To complete the table these items have been analysed under similar headings, and the expenditure, amounting to £4,898,108, is analysed in Table A, Part IV., which is a sub-analysis. The total as set out in Col. 10 is carried into Col. 18 of Table A, Part III. This completes the redistribution of the expenditure which would be incurred by producing the wheat we import in excess of the expenditure which, under Free Trade conditions, is substituted for it.

TABLE A, PART IV., is an analysis of the classified personal expenditure of £4,898,108, set out in Table A, Part III., Col. 15, Nos. 37 to 46.

COLUMN 1, Nos. 12 TO 27, sets out the analysed expenditure in trade with the capital, £823,000 (Nos. 28 to 33), employed and the number of people, 1,148 (No. 34), engaged in producing and distributing £411,623 of bread appearing under Col. 15, No. 37, Table A, Part III.

COLUMN 2, Nos. 12 TO 27, sets out the expenditure in trade with the capital of £2,120,000 (Nos. 28 to 33) employed, and the number of people, 5,587 (No. 34), engaged in producing and distributing £687,990 of flesh meat used by the people employed, set out in Col. 15, No. 38 of Table A, Part III.

COLUMN 3, Nos. 12 TO 27, sets out the analysed expenditure in trade with the capital, £3,699,100 (Nos. 28 to 33), employed, and the number of people, 13,937 (No. 34), engaged in producing and distributing £883,612 of other farm produce used by the people employed, and appearing in Col. 15, No. 39 of Table A, Part III.

COLUMN 4, Nos. 11 TO 27, sets out the analysed expenditure in trade with the capital, £1,190,000 (Nos. 28 to 33), employed and the number of people, 1,040 (No. 34), engaged in producing and selling £1,124,845 of groceries, wines, beer and spirits used by the people employed, and appearing in Col. 15, No. 40 of Table A, Part III.

COLUMN 5, Nos. 11 TO 27, sets out the analysed expenditure in trade, with the capital, £1,972,200 (Nos. 28 to 33), employed, and the number of people, 6,363 (No. 34), engaged in producing £1,041,299 of clothing used by the people employed in accordance with the particulars set out in Table D, and as appearing in Col. 15, No. 41 of Table A, Part III.

COLUMN 6, Nos. 12 TO 26, sets out the analysed expenditure in trade with the capital, £291,000 (Nos. 28 to 33), required, and the number of people, 258 (No. 34) engaged in the education of the youth of the people employed, to which there would be contributed £72,750, as set out in Col. 15, No. 42 of Table A, Part III.

COLUMN 7, Nos. 11 TO 27, sets out the analysed expenditure and trade, with the capital, £288,950 (Nos. 28 to 33), employed, and the number of people, 1,310 (No. 34), engaged in producing and selling £202,482 of furniture required by the people, as set out in Col. 15, No. 43 of Table A, Part III.

COLUMN 8, Nos. 12 TO 27, sets out the analysed expenditure in trade, with the capital, £333,660 (Nos. 28 to 33), employed, and the number of people, 511 (No. 34), engaged through the expenditure of £133,585 for the amusement of the people, as set out in Cols. 15 and 44 of Table A, Part III.

COLUMN 9, Nos. 11 TO 27, sets out the analysed expenditure of the £339,922 of money saved by the people, employed and invested productively as capital in business, as set out in Col. 15, No. 45 of Table A, Part III. It will be observed that this capital is redistributed by those who save the money and employ it in productive enterprises which provide additional occupation for 2,966 people (Col. 9, No. 34).

COLUMN 10 represents the analysed total of this Table A, Part IV., and is carried into Col. 18 of Table A, Part III. to complete the analysis of £4,898,108 (Table A, Part III., Col. 15, Nos. 37 to 46) requiring £11,278,770 of capital to transact the business (Table A, Part IV., Col. 10, Nos. 28 to 33), and employing 33,120 persons for one year (Col. 10, No. 34).

TABLE A.—

*Analysis of personal expenditure incurred in support of the people
diture incurred on 7,150,000 acres of pasture, and of the people
Part III. Analysed here and added Column No. 18, Table A,*

	DESCRIPTION OF EXPENDITURE.	1	2
		Bread Milling, Baking and Selling.	Flesh Meat.
11	Foreign goods and expenses	—	—
12	Goods product of home industries	248,209	27,520
13	Coal	9,880	10,320
14	Light	1,235	3,400
15	Freight	4,528	—
16	Railway carriage and cartage	20,581	20,600
17	Insurance	1,645	4,816
18	General expenses	9,066	2,752
19	Subscriptions	1,645	3,440
20	Local rates	2,058	13,760
21	Government taxes, stamps and telegrams	3,293	17,888
22	Wages	63,802	279,323
23	Salaries and commission	8,233	169,245
24	Rent of lands and buildings	6,098	34,400
25	Interest on capital employed	30,460	100,526
26	TOTAL HOME EXPENDITURE	411,623	687,990
27	TOTAL HOME AND FOREIGN EXPENDITURE	411,623	687,990
28	Capital employed in property	135,600	1,220,150
29	" " " buildings	259,320	178,870
30	" " " plant and utensils	115,250	20,640
31	" " " stock	201,700	634,400
32	" " " debts	111,130	65,940
33	TOTAL CAPITAL	823,000	2,120,000
34	Number of people employed	1,143	5,587

PART IV.

employed in cultivation of 7,150,000 acres of wheat in excess of the expense employed by the freight of imported wheat only classified in Table A, Part III., to complete the Analysed Redistribution.

3	4	5	6	7	8	9	10	
Other Farm Produce.	Groceries, Wines, Spirits and Beer.	Clothing.	Education.	Furnishing.	Amusements.	Capital Saved and Invested.	TOTAL.	
—	206,971	222,838	—	42,523	—	8,498	480,830	11
26,508	533,412	92,676	5,093	19,033	8,149	12,441	973,041	12
17,672	4,499	12,704	1,528	6,074	668	55,067	118,412	13
15,905	6,740	6,456	1,091	2,025	4,542	1,390	42,763	14
—	5,875	10,725	—	2,632	501	9,858	31,919	15
70,689	7,874	21,347	946	8,504	1,008	20,395	172,004	16
10,603	2,250	6,972	1,019	1,012	2,004	1,700	31,921	17
13,254	33,745	28,636	1,600	5,670	1,736	5,093	99,842	18
4,418	5,375	4,894	727	810	133	748	20,190	19
17,672	16,872	9,580	1,819	1,620	2,272	3,190	68,849	20
22,080	116,749	11,454	4,729	1,822	1,292	2,448	181,675	21
492,044	32,621	335,819	2,910	72,458	6,680	170,301	1,305,989	22
132,643	32,863	131,412	41,831	16,199	37,498	18,835	694,689	23
44,181	20,990	28,323	9,457	4,800	2,538	7,818	165,571	24
106,033	40,494	117,563	—	17,210	14,294	24,134	450,714	25
883,612	917,974	518,461	72,750	150,950	133,585	331,434	4,417,278	26
883,612	1,124,845	1,041,299	72,750	202,482	133,585	339,922	4,568,108	27
1,083,600	539,840	673,700	72,750	119,070	130,920	203,050	4,179,880	28
954,300	29,240	239,500	174,600	48,600	151,980	44,190	2,080,600	29
918,100	18,000	280,590	43,650	2,340	38,740	152,960	1,090,770	30
1,122,200	430,320	455,570	—	47,580	4,000	78,180	2,974,450	31
220,900	172,100	232,840	—	70,860	8,020	81,580	953,370	32
3,699,100	1,190,000	1,972,500	251,000	283,960	333,000	500,590	11,278,770	33
15,937	1,940	6,363	258	1,310	511	2,966	23,120	34

CAPITAL EXPENDITURE.

Table B, Parts I. and II., set out the total capital cost of mills and factories which would turn out £1,000,000 worth of clothing material in one year as shown in Table D, Col. 44, Nos. 28 and 29.

EXPLANATION OF TABLE B, PART I.

TABLE B, PART I. represents the analysed cost of *buildings* sufficient to produce £1,000,000 worth of clothing material in one year.

THE TOTAL COLUMN sets out the nature of the expenditure incurred in the erection of the building and amounts to £230,000, as set out in Table D, Col. 44, No. 28

The sum of £117,530 (Table B, Col. 1a., Nos. 18 to 26) is the value of the materials required by the builders which are themselves the products of other industries. In the production of these materials there are eight different trades brought into the work, and each of these trades in producing the proportion contributed by it to the whole buildings incurs the expenditure as analysed, and set out opposite the total value stated in Col. 1a., Nos. 18 to 26, under the heads appearing along the top of this table.

In Col. 16, line 26 there is set out the capital £142,900, and in Col. 17, line 26 the number of people, 780, who would produce the value of the material £117,530 appearing in the total Col. 1a. in one year. The item of £112,470 (Col. 1a, line 27) represents the expenditure incurred by the building contractor in erecting the building with the material of £117,530, and the nature of this expenditure is set out and analysed under the same headings as the material. The capital required by the contractor for a year would be £99,800 (Col. 16, line 27), and the number of workmen who would each receive a full year's employment would be 1,120 (Col. 17, line 27). The total cost of the building consisting of the material and the builders' expenditure would be £230,000 (Col. 1a., line 28) with the capital, £242,700 (Col. 16, line 28), and people employed 1,900 (Col. 17), is set out in analysed form on line 28.

TABLE B, PART II.

TABLE B, PART II. sets out in Col. 1a., line 34 the nature of the expenditure incurred in equipping this building with £365,500 of *machinery* and *utensils* of the various kinds required to produce £1,000,000 worth of clothing material

in one year, described in Table D, Col. 44, No. 29. This machinery is capable of being produced in the United Kingdom, beginning with the mining of the iron ore for the production of the material from which the foundry produces the machinery. This material amounts to £157,800, as set out in Col. 1a., line 32. The analysed description of the expenditure incurred in producing it is set out opposite, and placed under the same headings appearing for the building in Part I. In producing this machinery from £157,800 of raw material the foundry will expend on it £207,700 (Col. 1a., line 33). The nature of this expenditure is analysed under the same heads as appear at the top of the list for buildings, and is set out under the Cols. Nos. 1 to 15, on line No. 33. The capital required for one year for the erection of the machinery would be £465,300 (Col. 16, No. 34), and the number of people who would be employed for a year, 2,050 (Col. 17, line 34). The total cost of the fully equipped mills would be £595,500 (Col. 1a., line 35), and the analysed expenditure incurred in erecting them in Cols. 1 to 15. The capital employed, £708,000 (Col. 16, line 35), and the number of people engaged at this work for one year, 3,950, is set out in Col. 17, No. 35. If these mills be erected the total trade set out in the analysis of Cols. 1 to 15, line 35, will be again expended in producing the goods set out in this analysis for support of the people who earn the wages, salaries, and other profits shown, and the redistribution of trade created by that expenditure is set out under Cols. 1a. to 15, line 36, which amount to £580,641 and, added to the original expenditure in Cols. 1a to 15, line 35, shows the total trade created by the erection of this mill, as set out in Cols. 1a to 15, line 37.

The details of this analysis of redistribution in Col. 36 are not shown in a separate table, but the figures given have been ascertained by a similar process to what is set out in detail in Table E, and shows a total expenditure in trade of £1,176,141 (Col. 1a., line 37). The capital employed would be £1,955,700 (Col. 16, line 37), and number of people employed for one year, 6,770 (Col. 17, line 37).

If this industry be not started, and if no substitute be found to give the employment which it supplies the trade described in Table B would be absolutely lost to the country, in the various classes represented by this analysis.

TABLE

CAPITAL

Analysis of Expenditure incurred in the erection of buildings at a cost of £230,000, or the production in one year of £1,000,000 worth of clothing material described in

PART I.

Analysis of the capital expended in erecting the

Industries Interested.	No.	1A	1	2	3	4	5
		Total Cost.	Goods, the product of other Industries.		Coal.	Light.	Freight.
			Foreign	Home			
Manufacturing brick	18	24,380	—	2,140	4,632	122	244
Quarrying and dressing stone	19	12,880	—	572	64	64	1,030
Sand, lime and mortar	20	14,260	—	5,327	128	28	200
Tiles and cement and slates	21	7,590	—	531	1,138	23	1,570
Timber	22	28,440	12,808	2,344	88	53	6,772
Hardware and ironwork	23	13,800	—	2,290	1,932	41	138
Painters' and glaziers' work	24	2,530	304	312	25	5	76
Plumbers' work	25	12,650	1,747	1,877	88	63	316
TOTAL builders' material	26	117,530	14,859	15,893	8,095	399	10,346
TOTAL builders' expenditure in erection	27	112,470	—	—	1,150	460	1,840
TOTAL COST OF BUILDING	28	230,000	14,859	15,893	9,245	859	12,186

PART II.

Analysis of the capital expended in producing and

Mining and delivery of ore for iron and steel ..	29	31,000	—	2,274	545	225	2,110
Producing pig iron	30	38,900	—	1,479	26,524	146	140
Iron and steel castings	31	87,900	—	2,136	47,614	358	1,694
TOTAL material for engineering works ..	32	157,800	—	5,889	74,734	729	3,944
COST of producing and erecting machinery ..	33	207,700	—	—	12,427	771	1,096
TOTAL COST of machinery and plant ..	34	365,500	—	5,889	87,211	1,500	5,040
TOTAL COST of fully equipped mills ..	35	595,500	14,859	21,782	90,456	2,359	17,226
Redistribution of this expenditure as in tables E & F	36	580,641	39,275	62,947	30,085	12,096	20,602
TOTAL COST of mill and redistribution of construction expenditure.. .. .	37	1,176,141	54,134	84,729	126,541	14,455	37,828

B.

EXPENDITURE.

and of the production and erection of machinery therein at a cost of £365,000 required Table III.

buildings of mills, costing £230,000.

5	7	8	9	10	11	12	13	14	15	16	17	18
Carriage and Cartage.	Insurance.	General Expenses.	Subscriptions.	Local Rates.	Government Taxes, Stamps and Telegrams.	Wages.	Salary and Commission.	Rent.	Interest on Capital.	Capital required for each branch of industry.	Number of People employed	Consecutive Numbers of Columns.
2,000	73	269	49	305	253	10,435	621	846	1,732	48,700	215	18
2,705	116	77	25	77	85	5,183	1,159	347	875	16,500	181	19
1,669	24	47	28	43	77	5,548	223	123	737	6,700	113	20
38	23	50	15	137	46	3,194	475	121	549	7,500	68	21
1,001	79	528	59	82	194	2,143	972	58	1,719	23,060	49	22
276	28	124	28	128	83	7,135	442	455	690	18,200	122	23
50	7	58	7	25	19	1,177	221	152	112	3,890	18	24
379	38	228	25	159	134	4,466	1,480	291	1,379	16,350	66	25
8,178	258	1,996	237	946	891	40,281	5,655	2,373	6,993	142,800	780	26
8,970	483	666	299	545	724	88,320	3,427	736	5,090	99,800	1,120	27
17,148	871	2,662	536	1,291	1,615	128,601	9,082	3,109	12,083	242,700	1,900	28

erecting £365,500 worth of machinery in the above premises.

8,930	340	513	193	751	622	5,605	761	6,431	1,589	—	—	29
231	380	222	126	934	246	5,375	486	337	2,280	—	—	30
7,703	600	769	235	1,070	426	15,633	4,083	1,144	4,430	—	—	31
16,864	1,320	1,504	554	2,755	1,298	26,618	5,330	7,912	8,299	126,700	875	32
2,741	731	1,206	183	1,462	1,362	143,142	18,567	2,704	21,308	338,600	1,675	33
16,605	2,051	2,710	737	4,217	2,660	169,760	23,897	10,616	23,607	465,300	2,650	34
36,758	2,922	5,362	1,273	5,508	4,275	298,361	32,979	13,725	41,660	708,000	3,950	35
43,054	6,971	15,076	7,304	14,820	28,536	144,746	59,539	48,103	56,496	1,247,700	2,820	36
79,807	9,893	20,438	8,577	20,286	32,811	443,107	83,509	61,826	96,156	1,965,700	6,770	37

EXPLANATION OF TABLE C.

Table C contains a detailed description of the production of linen goods, from the growth of the flax fibre until the goods are delivered as wearing apparel. It differs from some of the other tables in that it sets out in full detail practically all the processes through which goods pass which are capable of being entirely produced within the United Kingdom.

COLUMN No. 1 sets out the analysed expenditure incurred in producing £10,000 worth of flax (Col. 1, Nos. 13 to 30), which, at the average yield and price, is capable of being grown in the United Kingdom on 714 acres of land. At foot (Col. 1, Nos. 31 to 35) is set out the £24,750 of capital required to produce it in one year, and (Col. 1, No. 36) the number of people, 135, who would each procure the equivalent of one year's employment in its production.

COLUMN No. 2 represents the analysed expenditure incurred in spinning the £10,000 worth of flax into linen yarn which is value for £18,275 (Col. 2, Nos. 14 to 30) when completed. Col. 2, Nos. 31 to 35, £30,000, represents the capital required to carry out this process in one year, giving one year's employment to 150 persons (Col. 2, No. 36).

COLUMN 3 represents the analysed expenditure incurred in weaving this £18,275 of linen yarn into unbleached cloth, which, when completed and sold, is value for £24,329 (Col. 3, Nos. 14 to 30). Col. 3, Nos. 31 to 35, shows the £28,000 capital required to carry out this part of the process of production in one year, giving a full year's employment to each of 115 persons (Col. 3, No. 36).

COLUMN 4 represents the analysed expenditure incurred in bleaching and finishing £24,329 of linen cloth, which, when completed, is value for £26,762 (Col. 4, Nos. 14 to 30). Col. 4, Nos. 31 to 35, sets out the £19,800 of capital required to carry out this process in one year, and Col. 4, No. 36 and the 15 people who would each receive one year's employment in this process.

COLUMN 5 is a summary of Cols. 1 to 4, inclusive, and represents the total analysed expenditure incurred in producing the £26,762 of bleached linen from the growth of the flax, until it is completed in bleached linen webs. At foot, Col. 5, Nos. 31 to 35, is set out details of the £102,550 capital required to bring the goods into this condition in one year, and Col. 5, No. 36, the 415 people who would each receive one whole year's employment in this work.

COLUMN 6 represents the merchandising of these goods with all the details described for the other processes.

When these goods are produced it is assumed that they are all of a class which requires to be made up into wearing apparel, though in actual experience a considerable portion of these goods never pass through all the processes so as to become wearing apparel.

COLUMN 7 sets out the analysed expenditure of £14,700 (Nos. 15 to 29), which would be incurred in making up £29,850 (Col. 6, No. 30) of bleached linen goods into wearing apparel, which, when completed, would be value for £44,550 (Col. 7, No. 30). Col. 7, Nos. 31 to 35, sets out the details of £21,390,

the amount of capital which would be employed one whole year in this process, employing 103 persons (Col. 7, No. 36) for one year.

COLUMN 8 represents the analysed expenditure incurred in holding the stock of £44,550 of made up linen goods, and in the retail selling and delivery of the goods to the purchasing community, to whom it is sold for £60,200 (Col. 7, No. 30). Col. 7, Nos. 31 to 35 sets out the £73,440 of capital necessary to hold the stock and transact this business, in which 78 persons would be employed for one year.

COLUMN 9 is a summary of Cols. 6 to 8, inclusive, and represents the analysed expenditure added to the bleached cloth (Col. No. 5) to complete the transaction involved in the making up and sale of the goods, with a summary of the capital and people employed as described for the other processes.

COLUMN 10 represents the total analysed expenditure incurred in producing £60,200 worth of made up linen goods, from the growth of the flax until the goods are sold as made up wearing apparel (Col. 10, No. 30). Col. 10, Nos. 31 to 35, sets out the nature of the £217,000 of capital expenditure employed in carrying out all these processes, and Col. 10, No. 36, the 610 persons employed for one whole year in the production and sale of this £60,200 worth of made up linen wearing apparel.

If this industry can be carried on, these 610 people who would be employed would spend their earnings in the support of themselves and their families, and in addition the money expended under the several analysed items of expenditure (Col. 10, Nos. 15 to 29) would be re-expended and create employment in other industries, giving additional employment. This expenditure is set out in

COLUMN 11, which shows the analysed expenditure incurred in redistribution of the expenditure incurred in the original production, set out in Col. 10, which shows £2,167 of foreign productions (Col. 11, No. 13), and £57,323 of home productions (Col. 11, No. 29).

Details of the £210,000 capital employed in this redistribution are set out in Col. 11, Nos. 31 to 35, with the 460 persons (Col. 11, No. 36) who would be employed one whole year in this redistribution. The table of details of the analysis of Col. 11 is not given, but it is similar to the description given of the analysis of redistribution of Table A, Parts III. and IV., and of Tables E and F, to which the reader is referred.

COLUMN 12. An analysis of £119,690, the total expenditure incurred in the production of £60,200 worth of linen goods from £710 worth (Col. 1, No. 13) of foreign flax seed, sown upon 714 acres of British land by the employment of 610 persons for the equivalent of one whole year, and of the redistribution of £59,490 of British expenditure caused by it (Col. 11, No. 29). It represents in total foreign expenditure incapable of being produced at home £2,877 (Col. 12, No. 13), and £116,813 of home expenditure (Col. 12, No. 29). It employs £427,000 of capital in the United Kingdom for one year (Col. 12, Nos. 31 to 35), employing 1,070 persons (Col. 12, No. 36) for one whole year.

TABLE

Specimen Table of Production of £60,200 worth of wearing apparel of land by the application of £217,000 of capital, labour, and skill, earning £18,121 in wages and salaries by the redistribution of the original Analysis of the expenses of production and sale of clothing, including delivered to the users as wearing apparel.

No.	Description of Expenditure.	1	2	3	4
		Growing and Cleaning 714 Acres Fibre.	Preparing Fibre and Spinning into Yarn and Selling.	Weaving into Cloth.	Bleaching and Finishing.
13	Foreign raw material seed	710	—	—	—
14	Raw material of subsequent processes	—	10,000	18,275	24,329
15	Manure and goods used, home products	1,199	926	206	365
16	Coal	51	349	164	326
17	Light	20	120	90	63
18	Freight	12	29	17	57
19	Carriage and cartage	24	59	35	113
20	Insurance	40	100	53	24
21	General expenses	742	294	67	53
22	Subscriptions	20	54	25	20
23	Local rates	142	54	191	25
24	Government taxes, stamps and telegrams ..	157	114	79	56
25	Wages	4,685	4,313	3,358	730
26	Salaries and commission	541	493	554	122
27	Rent, land and buildings	714	82	48	42
28	Interest on capital	943	1,338	1,137	437
29	Total production	9,290	8,275	6,054	2,433
30	TOTAL SALES	10,000	18,275	24,329	26,762
31	Property and buildings	14,350	6,400	4,400	5,750
32	Machinery and utensils	2,400	14,000	8,500	7,350
33	Stock	7,200	6,500	8,800	1,250
34	Debts	800	3,100	6,300	5,450
35	TOTAL CAPITAL	24,750	30,000	28,000	19,800
36	Number of people employed	135	150	115	15

C.

within the United Kingdom from £710 worth of seed sown upon 714 acres ing £32,273 in wages and salaries and creating additional employment expenditure.

the growth of the fibre as raw material until the finished goods are

5	6	7	8	9	10	11	12	No.
Total Value of Cloth which can be Bought or Produced.	Whole-sale Selling.	Making into Wearing Apparel.	Selling Retail.	Total Charges added to Cloth.	Total Charges in all Processes until Delivered to users as Wearing Apparel.	Redistribution being Expenditure in Trade created by Spending Items in Column No. 10.	Total Original Expenditure and Redistribution thereof.	
710	—	—	—	—	710	2,167	2,977	13
—	26,762	29,850	44,550	26,762	—	—	—	14
2,786	29	267	241	527	3,323	16,387	19,710	15
800	20	184	120	274	1,164	2,227	3,391	16
293	10	89	60	159	452	542	994	17
115	142	356	301	799	914	1,325	2,239	18
221	186	490	421	1,097	1,328	3,853	5,181	19
217	29	89	120	236	455	482	937	20
1,156	170	1,280	963	2,522	3,678	1,204	4,882	21
119	29	89	60	178	297	301	598	22
332	30	178	301	509	861	1,024	1,885	23
406	60	223	361	674	1,080	1,506	2,585	24
13,086	418	4,990	3,260	2,658	21,744	13,124	34,868	25
1,710	1,224	3,742	3,853	3,819	16,529	4,997	15,536	26
836	90	268	1,505	2,263	3,999	2,646	5,745	27
3,853	612	2,005	4,094	6,711	10,566	7,706	18,272	28
26,062	3,088	14,700	15,650	23,438	50,490	57,323	116,813	29
26,762	29,850	44,550	60,200	60,200	60,200	58,450	119,650	30
P (13,850) B (17,050)	1,200	7,490	48,160	56,850	91,330	124,010	215,580	31
32,250	300	1,870	1,200	3,370	33,870	27,680	61,550	32
23,750	10,150	4,800	17,460	22,470	60,070	43,850	103,920	33
15,650	4,770	7,170	6,620	18,510	31,210	14,450	45,660	34
102,550	16,420	21,390	73,440	111,300	217,200	210,000	427,000	35
415	14	103	78	185	610	460	1,070	36

EXPLANATION OF TABLE D.

TABLE D contains a detailed description of the production of £1,000,000 worth of goods in webs, which are the material from which the clothing of the population is made up. The various columns set out the approximate proportions in which the goods represented by these columns are used, as ascertained from the experience of trade in the United Kingdom.

The method adopted to construct this table was to ascertain the analysed expenditure incurred in producing £10,000 worth of cloth or other goods, and to find the number or proportion of £10,000 times which the quantity actually used contains. This information is given in the headings of each of the columns, thus :

	Per cent.	Quantities of £10,000.	£
Of woollen goods there are	38	or 38	amounting to 380,000
„ cotton	28	„ 28	280,000
„ silk	20	„ 20	200,000
„ linen	6	„ 6	60,000
„ leather	8	„ 8	80,000
	100	100	£1,000,000

COLUMN NOS. 34 AND 35, Lines 1 to 16, show the analysed expenditure incurred in producing from wool, as raw material, £10,000 worth and £380,000 worth respectively, of finished cloth webs in a condition to be cut up by the tailor. At foot of the column there is set out the capital required to be expended as described (Nos. 27 to 32), amounting to £536,000 required to produce £380,000 worth in one year. The whole capital thus reproduces itself in 1 year and 150 days when invested within the state, and the raw material is produced therein, whereas it would take 23 years and 185 days to reproduce the capital by dividends on the investment of the £536,000 in a foreign country.

In the production of this £380,000 there would be 1,146 people employed for one year (Col. 35, No. 33).

COLUMN NOS. 36 AND 37, Lines 1 to 16, show the analysed expenditure incurred in producing from cotton fibre, as raw material purchased abroad, incapable of being produced at home, and, therefore, to be imported on Tariff Reform conditions free of duty, £10,000 worth and £280,000 worth respectively of finished cotton webs of an average quality in a condition to be cut up by the dress-maker. At foot of the column there is set out the capital required to be expended, lines 27 to 32, amounting to £220,000 employed in producing £280,000 worth of cotton goods in one year of which £203,252 is raw material purchased from abroad, and £16,748 is expended in the United Kingdom. The whole capital employed thus reproduces itself in wages and other expenditure earned by the population every 2 years and 316 days, whereas the £220,000 capital, if invested in a foreign country and yielding the same rate of dividend remitted home, would only reproduce itself in this country

once in 42 years and 80 days, though if invested abroad it would probably produce a higher dividend than it does at home.

COLUMNS 38 AND 39, Lines 1 to 16, show the analysed expenditure incurred in producing from the raw material of silk purchased from abroad incapable of being produced at home, and, therefore, to be imported on Tariff Reform conditions, free of duty, £10,000 worth and £200,000 worth respectively of finished silk webs of an average quality in a condition to be cut up by the dress-maker.

At foot of the columns there is set out the capital required to be expended (lines 27 to 32), amounting to £200,000, used in producing £200,000 worth of goods in one year, of which £127,200 is raw material purchased from abroad and £72,800 expended on the home production which would employ 828 persons for one year (Cols. 38 and 39, No. 33).

COLUMNS 40 AND 41, Lines 1 to 16, show the analysed expenditure incurred in producing from flax seed, purchased from abroad, £10,000 worth and £60,000 worth respectively of finished bleached linen webs of an average quality in a condition to be cut up for wearing apparel, based on Cols. 1 to 5 of Table C., not including the subsequent operations set out in Cols. 6 to 9 of Table C.

Particulars of the £230,000 capital employed, and the 520 people engaged in the processes are set out at foot of Table D, Col. 41, opposite Nos. 27 to 33.

COLUMNS 42 AND 43, Lines 1 to 16, show the analysed expenditure incurred in producing from raw hides, procurable either at home or abroad, and being only a by-product to be admitted in that condition free, because an import duty would not encourage home production of hides, £10,000 worth and £80,000 worth respectively, of finished boots and other leather goods of an average quality in a condition to be worn or used.

At foot of the columns there is set out the £174,000 of capital required to turn out the goods and hold the stock for sale, lines 27 to 32, and the number of people, 690, who would be employed one year in the various operations, line No. 33.

COLUMN 44 shows in Nos. 1 to 16 the analysed expenditure incurred in producing £1,000,000 worth of the various classes of goods set out in this table, in the approximate proportions in which they are used by the population, as set out in Cols. 34 to 43, and produced in the equivalent of one year.

At foot of this Col. 44 there is set out an analysed description (Cols. 27 to 32) of £1,360,000 of capital which would be employed for the equivalent of one year in producing these goods, which would employ 3,850 persons for that period (Col. 44, No. 33).

COLUMN 45 shows in Nos. 1 to 16 the percentage of each item of expenditure incurred in all these processes in the production of this £1,000,000 worth of clothing material, and at foot Col. 45, lines 27 to 32, the percentage of capital required to transact the business in one year.

TABLE

Summary Abstract of the Expenses incurred in the Production of £1,000,000 in the approximate proportions in which the various commodities are used. apparel, nor the expense incurred by the Wholesale and Retail Merchants

No.	Proportions of £1,000,000	34	35	36	37
		Woollens 38%		Cotton 28%	
		£10,000	38 quantities.	£10,000	28 quantities.
1	Foreign raw material	2,932	111,408	7,259	203,252
2	Home goods the product of other industries	3,368	127,992	402	12,936
3	Coal	196	7,448	180	5,040
4	Gas and light	54	2,052	52	1,456
5	Freight	96	3,648	60	1,681
6	Railway carriage and cartage ..	194	7,372	159	4,452
7	Insurance	50	1,140	32	896
8	General expenses	456	17,310	10	280
9	Subscriptions	20	760	20	560
10	Local rates	40	1,880	30	1,102
11	Government taxes, stamps, telegrams and income tax	65	2,470	19	521
12	Wages	1,700	64,600	1,371	38,388
13	Salary and commission	240	9,120	151	4,228
14	Rent	60	2,280	44	1,232
15	Interest on capital	540	20,520	142	3,976
15a	TOTAL HOME EXPENDITURE ..	7,068	268,592	2,741	76,748
16	TOTAL	10,000	390,000	10,000	280,000
CAPITAL EXPENDITURE :					
27	Property	—	40,800	—	24,400
28	Buildings	—	50,100	—	72,100
29	Plant and machinery	—	94,300	—	89,600
30	Stock	—	246,300	—	17,950
31	Debts	—	104,500	—	15,950
32	TOTAL CAPITAL EMPLOYED	—	536,000	—	220,000
33	Number of people employed.. ..	—	1,146	—	666

D.

worth of the undernoted Material used for the Clothing of the population stated
This Table does not include the Expenses of making the goods into wearing
in handling the goods and delivering them to the users.

38	39	40	41	42	43	44	45	No.
Silk 20%		Linen 6%		Leather goods 8%		Total	Per-centage	
£10,000	20 quantities.	£10,000	6 quantities.	£10,000	8 quantities.	All kinds.		
6,380	127,200	664	3,984	595	4,768	460,600	45.06	1
120	2,400	652	3,912	1,154	9,216	156,476	15.65	2
119	2,380	334	2,004	188	1,500	18,372	1.84	3
39	780	110	660	68	540	5,488	.55	4
20	400	131	780	150	1,200	7,718	.77	5
31	620	87	522	297	2,380	15,346	1.53	6
10	200	51	456	150	1,200	3,022	.30	7
49	980	232	1,380	144	1,155	21,114	2.11	8
20	400	43	258	125	1,000	2,978	.30	9
51	1,020	217	1,302	122	976	6,280	.63	10
31	620	170	1,074	157	1,257	5,942	.59	11
2,310	46,200	4,881	29,286	4,888	39,100	217,674	21.76	12
530	11,600	628	3,828	700	5,600	34,376	3.44	13
61	1,220	312	1,872	135	1,080	7,084	.77	14
199	3,980	1,439	8,634	1,127	9,020	46,130	4.61	15
3,640	72,800	9,336	56,016	9,405	75,244	549,400	54.94	15a
10,000	200,000	10,000	60,000	10,000	80,000	1,000,000	100.00	16
—	21,800	—	31,100	—	21,900	142,000	14.20	27
—	25,400	—	38,300	—	44,100	230,000	23.00	28
—	70,000	—	72,310	—	39,200	365,600	36.55	29
—	80,800	—	53,240	—	55,210	413,500	41.35	30
—	20,000	—	35,050	—	33,500	299,000	29.90	31
—	200,000	—	220,000	—	174,000	1,360,000	136.00 of sales	32
—	825	—	520	—	690	3,550		33

EXPLANATION OF TABLE E.

TABLE E represents the analysed expenditure included in a trade of £549,400 (Col. 52, Nos. 1 to 16) incurred by the redistribution of the trade which would be originated by producing £1,000,000 worth of clothing material, as set out in Table D, in the United Kingdom, instead of purchasing these goods in a manufactured condition from foreign countries and importing them free of duty. It also shows the capital of £1,864,000 (Col. 52, Nos. 29 to 34); which would be required, and the number of people, 3,075 (Col. 52, No. 35) who would be employed one whole year in producing the goods required to support these people.

The foreign raw material, £450,600 (Table D, Col. 44, No. 1), being produced in foreign countries and incapable of being produced at home will not be redistributed at all and should be admitted free of duty.

TABLE E, COLUMN 36, Nos. 1 to 16, shows the analysed expenditure incurred in producing in the United Kingdom the £156,476 of the raw material and other home products used in the production of £1,000,000 worth of clothing material, set out in Table D, Col. 44, No. 2, with the £1,014,940 capital required to produce them (Table E, 36, Nos. 29 to 34), and the number of people, 1,238, who would be employed (Table E, Col. 36, No. 35).

TABLE E, COLUMN 37, Nos. 1 to 16, shows the analysed expenditure including wages paid in providing £18,372 worth of coal used in producing £1,000,000 worth of clothing material, as set out in Table D, Col. 44, No. 3, together with the capital, £21,500 (Table E, Col. 37, No. 34), required to transact the business, and the number of people, 99 (Table E, Col. 37, No. 35) who would be employed one year in producing and delivering this coal.

TABLE E, COLUMN 38, Nos. 1 to 16, shows the analysed expenditure which would be incurred in producing the £5,488 worth of artificial light in the United Kingdom which would be used in producing £1,000,000 worth of clothing material, as set out in Table D, Col. 44, No. 4, together with the capital, £18,700 (Table E, Col. 38, Nos. 29 to 34), required to produce it, and the number of people, 11 (Table E, Col. 38, No. 35), who would be employed the equivalent of one whole year in producing it.

TABLE E, COLUMN 39, Nos. 1 to 16, shows the analysed expenditure and classification in Cols. 17 to 27 of £7,718 which would be incurred in sea freight in connection with the production of £1,000,000 worth of clothing material, as set out in Table D, Col. 44, No. 5, together with the capital, £25,300 (Table E, Col. 39, Nos. 29 to 34), and the number of people, 29 (Table E,

Col. 39, No. 35), who would be employed one whole year in transacting the business.

TABLE E, COLUMN 40, NOS. 1 TO 16, shows the analysed expenditure and classification (Cols. 17 to 27), £15,346, which would be incurred in railway carriage and cartage in connection with the production of £1,000,000 worth of clothing material, as set out in Table D, Col. 44, No. 6, together with the capital of £136,890 (Table E, Col. 40, Nos. 29 to 34), and the number of people, 76 (Table E, Col. 40, No. 35), who would be employed one whole year in transacting the business.

TABLE E, COLUMN 41, NOS. 1 TO 16, shows the analysed expenditure of £3,922 which would be incurred by insurance in connection with the production of £1,000,000 worth of clothing material, as set out in Table D, Col. 44, No. 7, together with the capital of £12,900 (Table E, Col. 41, Nos. 29 to 34), and the number of people, 22, who would be employed one whole year in transacting this resultant subsidiary business arising out of this production (Table E, Col. 41, No. 35).

TABLE E, COLUMN 42, NOS. 1 TO 16, shows the analysis of the general expenses of £21,114, which would be incurred in the production of £1,000,000 worth of clothing material as set out in Table D, Col. 44, No. 8, together with the capital of £31,800 (Table E, Col. 42, Nos. 29 to 34) which represents the sundry petty purchases, and also outlay incurred in transacting the business, based on the average of ten different classes of outlay, and the number of people, 183 (Table E, Col. 42, No. 35), who would each receive one whole year's employment in transacting these resultant subsidiary businesses arising out of this production.

TABLE E, COLUMN 43, NOS. 1 TO 16, shows an analysis and classification (Cols. 17 to 27) of the expenditure of £2,978, which would be contributed in the form of subscriptions and charitable donations arising out of the production of £1,000,000 worth of clothing material, as set out in Table D, Col. 44, No. 9. There is not any capital expenditure set out in Table E, Col. 43, Nos. 29 to 34, but there might have been, inasmuch as all charitable institutions, such as hospitals, must be equipped with buildings, utensils, and furniture, etc. The number of people who would receive one whole year's employment by the expenditure of £2,978 would be 5 (Table E, Col. 43, No. 35).

TABLE E, COLUMN 44, NOS. 1 TO 16, shows an analysis of the expenditure and classification (Cols. 17 to 27) of £6,280, which would be contributed in local rates out of the production of £1,000,000 worth of clothing material, as set out in Table D, Col. 44, No. 10, together with the capital of £5,000 (Table E, Col. 44, Nos. 29 to 34), and the number of people, 31 (Table E, Col. 44, No. 35), who would each receive one whole year's employment out of this resultant subsidiary expenditure.

TABLE E, COLUMN 45, NOS. 1 TO 16, shows an analysis and classification (Cols. 17 to 27) of the expenditure of £5,942, which would be contributed in government taxes, stamps,

telegrams, etc., out of the production of £1,000,000 worth of clothing material, as set out in Table D, Col. 44, No. 11, together with the capital of £29,970 (Table E, Col. 45, Nos. 29 to 34), the approximate proportion of borrowed money in the national debt pertaining to this amount of annual taxation, and the number of people who would each receive one whole year's employment out of this resultant subsidiary expenditure.

TABLE E, COLUMN 46, Nos. 1 TO 16, shows an analysis and classification of Cols. 17 to 27 of £217,574, which would be paid in wages in the production of £1,000,000 worth of clothing material, together with the nature of that expenditure in supporting the people employed and in the support of others depending on them, as set out under Table D, Col. 44, No. 12. No capital expenditure is set out under Table E, Col. 46, Nos. 29 to 34, because the capital expenditure pertaining to this outlay appears principally under other heads for the production of goods used, but there might fairly be set out, as a necessary capital outlay, the house property pertaining to the £19,582 of rents which would amount to £391,640. The number of people employed, 49 (Table E, Col. 46, No. 35), is small compared with the expenditure, because those in receipt of wages usually attend on themselves and so do not pay wages.

TABLE E, COLUMN 47, Nos. 1 TO 16, shows an analysis and classification (Cols. 17 to 27) of £34,376, which would be paid in salaries and commissions in connection with the production of £1,000,000 worth of clothing material, together with the nature of that expenditure in supporting the people employed and in the support of those depending on and attending on them, as set out in Table D, Col. 44, No. 13. No capital is set out under Table E, Col. 47, Nos. 29 to 34, but there might be set out the sum of £89,400, the value of the property occupied, for which £4,470 rents would be paid. The number of people, 34, who would each receive one whole year's employment is set out in Table E, Col. 47, No. 35.

TABLE E, COLUMN 48, Nos. 1 TO 16, shows an analysis and classification (Cols. 17 to 27), of £7,684 which would be paid in rents in the production of £1,000,000 worth of clothing material, as set out in Table D, Col. 44, No. 14. No capital expenditure is set out in Table E, Col. 47, Nos. 29 to 34, but the capital of £3,080 required to produce the rent of £154 might be set out, and the number of people, 7, who would be employed one whole year is set out (Table E, Col. 48, No. 35).

TABLE E, COLUMN 49, Nos. 1 TO 16, shows an analysis and classification (Cols. 17 to 27), of £46,130 which would be earned as interest and profit on £1,218,000 capital required (Table D, Col. 44, Nos. 28 to 31) to produce £1,000,000 worth of clothing material in one year, as set out in Table D, Col. 44, No. 15, and the number of people, 50, who would each receive one whole year's employment out of this resultant expenditure (Table E, Col. 49, No. 35).

TABLE E, COLUMN 50, Nos. 1 TO 16, sets out the total of the previous columns of this table (Cols. 36 to 49), the capital,

£1,297,000, employed (Cols. 29 to 34 and Col. 35), the number of people, 1,850, who would be employed the equivalent of one whole year in these resultant industries.

It will be seen that the analysis of Table E, Cols. 1 to 16, is incomplete in respect of the items classified in the various columns opposite the numbers 17 to 27. This has been done for the purpose of illustrating more fully the nature of the outlay made in the redistribution of the expenditure incurred in industry. These columns show the proportion and nature of the outlay spent in the personal support of the people employed, and the redistribution of these requires a separate analysis which is detailed in Table F, and the total of that table (Col. 10, Table F) is carried into Table E, Col. 51.

TABLE E, COLUMN 51, Nos. 1 to 16, shows the analysis of £207,350, the total classified expenditure set out in Table E, Col. 50, Nos. 17 to 27, together with the £567,000 of capital (Table E, Col. 51, Nos. 29 to 34) which would be employed in producing the goods, etc., acquired by £207,350 of expenditure in personal support of the people employed in producing £1,000,000 worth of clothing material and the 1,225 people who would be employed in these resultant subsidiary industries (Col. 51, No. 35).

TABLE E, COLUMN 52, Nos. 1 to 16, being a total of Cols. No. 36, to 51, therefore, shows a complete analysis under the heads (Nos. 1 to 16) of the redistribution of £549,400 of the home expenditure of the various classes incurred in the production of £1,000,000 worth of clothing material, as set out in Table D, Col. 44, No. 15a, together with the total capital of £1,864,000 required to carry out the business of this redistribution (Table E, Col. 52, Nos. 29 to 34), and the number of people, 3,075, who would be employed one year in these resultant subsidiary industries (Table E, Col. 52, No. 35).

TABLE

Showing the Redistribution of the Wages, Salaries, Rent, Interest on Capital Material employing 3,850 persons in the United Kingdom described in Table D wants as described in this Table and Table F.

No.	Industries Interested.	36 Home raw material & goods the product of other home industries.	37 Coal.	38 Light.	39 Freight.	40 Railway carriage and cartage.	41 Insur- ance.
1	Foreign raw material	9,711	—	—	2,315	—	—
2	Home goods, other industries	6,474	608	647	163	1,642	196
3	Coal	5,652	551	1,773	849	1,412	353
4	Gas and light	2,643	18	—	39	107	16
5	Freight	4,452	3,197	710	—	—	71
6	Railway carriage, etc.	8,984	3,987	565	16	292	94
7	Insurance	1,282	55	16	895	77	—
8	General expenses	1,826	92	33	155	—	145
9	Subscriptions	1,141	37	—	23	—	—
10	Local rates	2,441	441	38	336	230	86
11	Government taxes, stamps and telegrams	3,143	827	90	101	308	118
12	Wages	67,352	5,585	642	1,621	5,990	1,043
13	Salary and commission	18,819	735	71	270	767	659
14	Rent	6,610	404	49	54	—	337
15	Interest on capital	15,946	1,745	884	601	6,430	804
16	TOTAL	156,476	18,372	5,488	7,288	15,315	3,922
CLASSIFIED EXPENDITURE—							
17	Food, bread	—	—	—	77	—	—
18	„ flesh meat	—	—	—	115	—	—
19	„ other farm produce	—	—	—	115	—	—
20	„ groceries	—	—	—	77	31	—
21	Clothing	—	—	—	46	—	—
22	Education	—	—	—	—	—	—
23	Furnishings	—	—	—	—	—	—
24	Amusements	—	—	—	—	—	—
25	Money saved and invested	—	—	—	—	—	—
27	TOTAL classified expenditure	—	—	—	430	31	—
28	TOTAL EXPENDITURE	156,476	18,372	5,488	7,718	15,346	3,922
29	Capital expended in property	625,010	21,500	6,080	1,000	86,400	10,470
30	Buildings	133,790	—	2,530	—	6,290	2,000
31	Plant and machinery	55,120	only estimated	8,020	24,300	18,880	40
32	Stock	161,500	—	830	—	18,720	—
33	Debts	39,520	—	1,250	—	6,600	890
34	TOTAL capital employed	1,014,940	21,500	18,700	25,300	136,890	12,900
35	Number of people employed	1,238	59	11	29	76	22

E.

and other Expenditure incurred in the production of £1,000,000 worth of Clothing in the process of production and employing 3,075 persons in supplying their

42	43	44	45	46	47	48	49	50	51	52	
General ex- penses.	Sub- scrip- tions.	Local rates.	Govern- ment Taxes, stamps & tele- grams.	Wages.	Salary & com- mission.	Rent.	Interest on capital.	Total.	Analysis of under- noted classi- fied expen- diture.	Total analysis.	No.
2,966	—	346	914	—	—	—	2,998	19,250	20,331	20,581	1
2,831	110	119	842	788	—	—	1,846	16,155	35,083	52,238	2
585	146	901	808	7,615	788	134	431	21,479	6,281	27,760	3
—	104	224	31	5,439	588	123	260	8,658	2,051	11,709	4
528	—	—	274	653	103	77	492	10,557	2,321	12,878	5
934	6	35	305	4,351	584	124	250	20,507	5,218	25,725	6
163	12	21	81	1,523	344	61	92	4,402	1,328	5,730	7
—	110	35	—	4,489	448	71	683	8,067	2,291	11,378	8
102	—	—	—	2,176	599	77	200	4,355	1,064	5,419	9
81	3	—	20	4,352	1,331	272	1,573	11,244	3,156	14,400	10
122	6	135	91	9,791	3,138	991	5,950	24,541	3,689	28,230	11
10,563	152	1,524	731	—	1,375	307	1,707	95,522	61,091	156,613	12
911	578	804	701	—	—	411	1,660	23,389	20,762	57,151	13
406	68	35	—	19,582	4,470	154	6,089	33,268	7,925	46,193	14
1,016	8	1,632	1,218	—	—	—	—	20,222	17,759	43,041	15
21,114	1,301	5,871	5,364	60,759	13,768	2,802	24,210	242,060	207,350	549,400	16
—	208	49	73	13,054	1,547	384	1,246	16,638	Classi- fied here Analy- sed Table F and entered above		17
—	298	104	122	21,757	3,094	845	1,846	23,181			18
—	328	104	122	23,285	3,438	922	2,307	35,621			19
—	208	69	79	37,149	2,076	384	1,158	41,226			20
—	606	83	91	32,636	6,187	1,383	6,921	47,952			21
—	—	—	—	2,176	1,031	231	600	4,038			22
—	80	—	91	6,527	859	192	3,691	11,390			23
—	—	—	—	4,352	660	154	923	6,089			24
—	—	—	—	10,879	1,716	387	3,233	16,215			25
—	1,677	406	578	156,815	20,608	4,882	21,920	207,350			27
21,114	2,978	6,280	5,942	217,574	34,376	7,684	46,120	549,400			28
11,490	—	1,680	15,230	Per- sonal expen- diture	Per- sonal expen- diture	Per- sonal expen- diture	Per- sonal expen- diture	778,980	309,430	1,088,200	29
3,660	—	3,030	14,010					165,310	82,040	247,350	30
5,890	—	100	783					113,080	46,480	159,560	31
6,090	—	50	—					157,180	92,320	279,500	32
4,670	—	140	—					82,570	26,730	89,300	33
31,800	—	5,000	29,970	Nil	Nil	Nil	Nil	1,297,000	567,000	1,864,000	34
183	5	31	16	40	24	7	80	1,830	1,225	3,075	35

EXPLANATION OF TABLE F.

TABLE F. Is an analysis of the production of the goods and other outlay which formed the personal expenditure of £207,350 incurred in the support of 3,850 persons and those depending on them as in Table D, Col. 44, No. 35, supported out of the earnings arising from the production of £1,000,000 worth of clothing material classified in Table E, Col. 50, Nos. 17 to 27.

TABLE F, COLUMN 1, NOS. 1 TO 16, shows an analysis of £16,638 expended in the purchase of bread required to support the 3,850 persons engaged in the production of £1,000,000 worth of clothing material, and in the support of those depending on them, as set out in Table E, Col. 50, No. 17. This requires a capital of £36,820 to grow the wheat, mill it, and convert it into bread, delivered to these people for use (Table F, Col. 1, Nos. 27 to 32), and would employ 111 persons for one year (Table F, Col. 1, No. 33).

TABLE F, COLUMN 2, NOS. 1 TO 16, shows an analysis of £28,181 expended in the purchase of flesh meat used for the support of 3,850 persons engaged in the production of £1,000,000 worth of clothing material, and in the support of those depending on them, as set out in Table E, Col. 50, No. 18. This employs a capital of £39,850 to produce the animals (Table F, Col. 2, Nos. 27 to 32), and would employ 228 persons for one year (Table F, Col. 2, No. 33).

TABLE F, COLUMN 3, NOS. 1 TO 16, shows an analysis of £35,621 expended in the purchase of farm produce used for the support of 3,850 persons engaged in the production of £1,000,000 worth of clothing material, and in the support of those depending on them, as set out in Table E, Col. 50, No. 19. For this a capital of £289,950 would be employed to produce this farm produce (Table F, Col. 3, Nos. 27 to 32), and there would be 302 persons employed one whole year in its production (Table F, Col. 3, No. 33).

TABLE F, COLUMN 4, NOS. 1 TO 16, shows an analysis of £41,226 expended in the production of groceries, wines, and beer used by the 3,850 persons engaged in the production of £1,000,000 worth of clothing material, and in the support of those depending on them, as set out in Table E, Col. 50, No. 20. In doing this business a capital of £41,100 would be employed, as set out in Table F, Col. 4, Nos. 27 to 32, and 38 persons would be employed in this work one whole year (Table F, Col. 4, No. 33).

TABLE F, COLUMN 5, NOS. 1 TO 16, shows an analysis of £47,952 expended in the purchase of clothing on the basis of expenditure, as set out in Tables C and D, used by 3,850 persons engaged in the production of £1,000,000 worth of clothing material, and by the persons supported by these wage earners, as set out in Table E, Col. 50, No. 21. For the purpose of producing this clothing the capital employed would amount to £85,700, as set out in Table F, Col. 5, Nos. 27 to 32, and 294 persons would be employed one whole year in producing this material (Table F, Col. 5, No. 33).

NOTE. In making this statement it should be observed that for this part of the work the materials of the original production of £1,000,000 worth might be used, in which event the users would become the consumers or customers of the original producers, but the demand would be increased by the additional people required for production and by the

reduction in imports of similar commodities. This observation would apply to a considerable number of other commodities set out in these tables.

TABLE F, COLUMN 6, NOS. 1 TO 16, shows an analysis of £4,038, which would be expended in the education of the children of 3,850 persons engaged in the production of £1,000,000 worth of clothing material, set out as part of their personal expenditure in Table E, Col. 50, No. 22, for which £16,270 of capital would require to be expended, which in this instance would be applicable to subsequent repetitions of the process of education. This capital is set out in Table F, Col. 6, Nos. 27 to 32, and in this education 14 persons would be employed for one whole year (Table F, Col. 5, No. 33).

TABLE F, COLUMN 7, NOS. 1 TO 16, shows an analysis of £11,390 which would be expended annually in the purchase of household furniture by the 3,850 persons engaged in the production of £1,000,000 worth of clothing material, set out in Table E, Col. 50, No. 23. The sum of £15,100 in capital would be employed for its production and sale, as set out in Table F, Col. 7, Nos. 27 to 32, and in this work 74 persons would be employed for one whole year (Table F, Col. 7, No. 33).

TABLE F, COLUMN 8, NOS. 1 TO 16, shows an analysis of £6,089 which would on an average be expended annually on the amusements of 3,850 persons engaged in the production of £1,000,000 worth of clothing material, and by the persons depending on or supported by them, as set out in Table E, Col. 50, No. 24. For this purpose £17,810 of capital would be employed (Table F, Col. 8, Nos. 27 to 32), and 23 persons would be engaged for one whole year at this work (Table F, Col. 8, No. 33).

TABLE F, COLUMN 9, NOS. 1 TO 16, shows an analysis of £16,215, the average capital sums which would be saved and reinvested productively as capital by the 3,850 persons engaged in the production of £1,000,000 worth of clothing material, as set out in Table E, Col. 50, No. 25. In this process of reinvestment, £24,400 of capital would be employed for one year as set out in Table F, Col. 9, Nos. 27 to 32, and in the process of reinvestment 141 persons would be employed for one year (Table F, Col. 9, No. 33).

TABLE F, COLUMN 10, NOS. 1 TO 16, shows an average of the total summary of all the various processes in which £207,350 would be expended as experienced by the population, as set out (Cols. 1 to 16). In these processes there would be employed £567,000 of capital for one whole year, as set out in Table F, Col. 10, Nos. 27 to 32, and in this work 1,225 persons would find employment for one whole year. This expenditure in personal support, set out in Table F, Col. 10 is carried into Table E, Col. 51, in order to complete the analysis of redistribution described in Table E.

NOTE. It will be evident that the redistribution does not stop here, because the earnings of the 3,075 persons employed in redistribution (Table E, Col. 52, No. 35) will employ other persons in supporting themselves, but in this and in the expenditure of Table E these people will use each other's productions, and it would be impossible to put a limit on the extent in which they are customers of each other, except that employment will increase in proportion to the additional population, and in proportion to the extent of the substitution of home productions for imported productions.

TABLE

Analysis of Expenditure incurred in Redistribution of Money expended Clothing Material. Table D only classified in Table E, analysed in this Table

No.	Industries Interested.	1	2	3
		Wheat grown and produced in bread.	Flesh meat produced and sold.	Other farm produce.
1	Foreign raw material.. ..	—	—	—
2	Home goods the product of other industries.. ..	2,018	4,020	—
3	Coal	634	423	1,425
4	Gas and light	170	141	713
5	Freight.. ..	1,048	—	—
6	Railway carriage and cartage ..	1,336	845	3,206
7	Insurance	136	169	356
8	General expenses	341	113	356
9	Subscriptions	67	169	356
10	Local rates	255	563	713
11	Government taxes, stamps, telegrams	291	733	890
12	Wages	6,131	11,441	16,208
13	Salary and Commission	1,048	6,933	5,343
14	Rent	1,275	1,409	1,781
15	Interest on capital	1,888	1,222	4,274
16	TOTAL	16,638	28,181	35,621
	CAPITAL EXPENDITURE :			
27	Property	27,500	28,020	184,520
28	Buildings	3,330	7,330	38,470
29	Plant, Machinery and utensils ..	2,330	840	12,820
30	Stock	2,660	1,410	45,240
31	Debts	1,000	2,250	8,900
32	TOTAL	36,820	39,850	289,950
33	Number of people employed.. ..	111	228	302

F.

in personal support of persons employed in producing £1,000,000 worth of
and added Column No. 17, Table E to complete analysed redistribution.

4	5	6	7	8	9	10	No.
Groceries, spirits, wine, and beer.	Clothing produced in the United Kingdom.	Education.	Furnishings.	Amusements.	Capital saved and invested productively.	Total.	
7,586	10,262	—	2,078	—	405	20,331	1
23,582	4,268	282	1,071	322	520	56,083	2
165	585	81	342	30	2,596	6,231	3
247	297	81	114	207	81	2,051	5
124	494	—	148	36	471	2,321	5
288	983	50	478	49	973	8,218	6
82	316	40	57	91	81	1,328	7
537	1,319	81	319	79	146	3,291	8
124	225	40	45	6	32	1,064	9
618	441	109	191	104	162	3,156	10
447	528	255	202	104	239	3,689	11
1,195	15,464	162	4,078	304	8,108	63,091	12
3,258	6,051	2,322	911	3,988	908	30,762	13
884	1,304	525	274	116	357	7,925	14
2,089	5,415	—	1,082	653	1,136	17,759	15
41,226	47,952	4,038	11,390	6,089	16,215	207,350	16
17,270	26,810	4,040	5,550	8,450	7,270	309,430	27
1,070	11,030	9,690	2,080	6,940	2,100	82,040	28
660	17,530	2,420	810	1,770	7,300	46,480	29
15,790	20,310	120	2,680	280	3,830	92,320	30
6,310	10,020	—	3,980	370	3,900	36,730	31
41,100	85,700	16,270	15,100	17,810	24,400	567,000	32
38	294	14	74	23	141	1,225	33

EXPLANATION OF TABLE G.

THIS Table shows at a glance the extent and nature of the capital expenditure, and the working expenditure required in the production of £1,000,000 worth of clothing material, analysed under the same classes of expenditure as set out in the Tables B, C, D, E and F. It also shows the amount of capital required for production, and the number of people who would be employed in it. This is done for the purpose of comparing the benefits conferred by production, with the benefits acquired by the purchase of £1,000,000 worth of similar clothing material, produced in foreign countries at an assumed price of £900,000 being 10 per cent. cheaper than these goods could be produced and sold for in the United Kingdom. This would show a saving of £100,000 by the population against a loss of £865,719 in employment (Table G, Col. 10, Nos. 13 to 26). It also shows in Column 11 the reduction in home expenditure which would have to be made in order to compete successfully with foreign productions under the conditions of Free Trade.

TABLE G, SECTION A, COLUMNS 1, 2 and 3, set out capital expenditure.

TABLE G, COLUMN 1, NOS. 11 TO 27, shows the analysed expenditure which would be incurred in the erection of the buildings and machinery which would be capable of turning out £1,000,000 worth of clothing material in one year, for which purpose £14,859 of foreign raw material would be required, (Table G, Col. 1, No. 11), and £580,641 of home expenditure will be incurred (Table G, Col. 1, Nos. 12 to 26), showing a total expenditure of £595,500 (Table G, col. 1, No. 27). For the purpose of this erection there would be required £708,000 of capital which would be employed the equivalent of one year in its erection, (Table G, Col. 1, Nos. 28 to 33), and there would be 3,950 persons employed for one year at this work, (Table G, Col. 1, No. 34).

TABLE G, COLUMN 2, NOS. 11 TO 27, shows the analysed expenditure which would be incurred in the redistribution of the earnings and outlay, required in the erection of this factory, described in Column 1, in support of the people employed, and required by the subsidiary industries employed, in which £39,275 would be foreign raw material (Table G, Col. 2, No. 11), and £541,366 would consist of home expenditure (Table G, Col. 2, Nos. 12 to 26), making together a total expenditure in redistribution of £580,641 (Table G, Col. 2, No. 27). In this redistribution there would be employed £1,247,700 of capital required for the equivalent of one whole year (Table G, Col. 2, Nos. 28 to 33), employing 2,820 persons for one whole year (Table G, Col. 2, No. 34.)

TABLE G, COLUMN 3, NOS. 11 TO 27, contains the addition of

Columns 1 and 2, and shows the analysed expenditure in the erection of this factory, and in the redistribution of the earnings and other trades used for the purpose of this erection, showing £1,176,141 of expenditure in the erection and redistribution of the expenditure incurred in it. Table G, Col. 3, Nos. 11 to 27, shows also £1,955,700 of capital employed in transacting this business (Table G, Col. 3, Nos. 28 to 33), and 6,770 persons employed the equivalent of one whole year, attending to and carrying out this business (Table G, Col. 3, No. 34).

TABLE G, SECTION B, COLUMNS 4, 5 AND 6, sets out details of working expenditure.

TABLE G, COLUMN 4, NOS. 11 TO 27, shows the analysed expenditure of £1,000,000 expended in the production of clothing material of this value, of which £450,600 would be expended on foreign raw material (Table G, Col. 4, No. 11), and £549,400 expended in converting it into clothing material in the United Kingdom (Table G, Col. 4, Nos. 12 to 26), making together £1,000,000 (Table G, Col. 4, No. 27). In this work there would be employed £1,360,000 of capital for one year (Table G, Col. 4, Nos. 28 to 33), and there would be employed in its production 3,850 persons for one year (Table G, Col. 4, No. 38).

TABLE G, COLUMN 5, NOS. 11 TO 27, shows the analysed expenditure of £549,400 incurred in the redistribution of the home expenditure set out in Table G, Col. 4, Nos. 12 to 26, in the support of the people employed in the original production of £1,000,000 worth of clothing material and the subsidiary industries required for its production, of which £39,581 would be foreign raw material (Table G, Col. 5, No. 11), and £509,819 would be home expenditure (Table G, Col. 5, Nos. 12 to 26), making together £549,400 (Table G, Col. 5, No. 27). In the carrying out of this business there would be £1,864,000 of capital employed for one year (Table G, Col. 5, Nos. 28 to 33), and there would be 3,075 persons engaged at this work for one whole year (Table G, Col. 5, No. 34).

TABLE G, COLUMN 6, NOS. 11 TO 27, contains the addition of columns 4 and 5, and shows the analysed expenditure of £1,549,400 incurred in the production of £1,000,000 worth of clothing material, and in the redistribution of the earnings arising out of it, and out of the subsidiary occupations and industries required for this production, of which £490,181 would be foreign raw material (Table G, Col. 6, No. 11), and £1,059,219 (Table G, Col. 6, Nos. 12 to 26) would be expended in the United Kingdom. In this work £3,224,000 of capital would be employed for the equivalent of one whole year (Table G, Col. 6, Nos. 28 to 33), and there would be 6,925 persons employed in this work for one whole year (Table G, Col. 6, No. 34).

For the purpose of comparison, the expenditure incurred in production and in its redistribution for this £1,000,000 worth of clothing material as set out in Table G, Col. 6, there is set out the purchase of a similar quantity of clothing material for £900,000 in Table G, Section C, Cols. 7, 8

and 9, by which the population is assumed to be enriched to the extent of £100,000.

TABLE G, COLUMN 7, NOS. 11 TO 26, shows the analysed savings of £100,000 by purchasing £1,000,000 worth of foreign manufactured clothing material for £900,000, and also shows (Table G, Col. 7, Nos. 22 to 25) the proportions in which the £100,000 saved, would benefit the different classes of the community who spend part of their income in clothing. In transacting the mercantile business connected with this purchase there would be £550,000 of British capital employed for the equivalent of one whole year (Table G, Col. 7, Nos. 29 to 33), and the transacting of this business would employ 1,210 persons for one year (Table G, Col. 7, No. 34).

TABLE G, COLUMN 8, NOS. 11 TO 26, shows the analysed benefit which would accrue to the population from saving the £100,000 in purchasing £1,000,000 worth of clothing material 10 per cent. cheaper than it could be produced in the United Kingdom as set out in Table G (Col. 7, Nos. 22 to 25). The redistribution of these savings would be either in the form of capital saved and invested productively, a form which part of it would take, or expenditure by the population who acquired it in the purchase of a larger amount of luxuries or necessities which they might obtain for the same expenditure, a form in which the largest part of the savings would probably be expended. Calculated on the same principle as the other tables of expenditure, £6,500 of this sum would be expended on foreign goods (Table G, Col. 8, No. 11), and £93,500 in the United Kingdom (Table G, Col. 8, Nos. 12 to 26). In this work there would be £168,000 of capital employed (Table G, Col. 8, No. 34), and 440 persons employed for one year (Table G, Col. 8, No. 34).

TABLE G, COLUMN 9, NOS. 11 TO 26, shows the analysed total benefit accruing to the population through the saving of this £100,000 in purchasing cheaply and the redistribution of that saving. This represents a foreign expenditure of £906,500 (Table G, Col. 9, No. 11), and an expenditure of £193,500 in the United Kingdom (Table G, Col. 9, Nos. 12 to 26). To transact the portion of the business distributed in the United Kingdom there would be £718,000 of capital employed (Table G, Col. 9, Nos. 28 to 33), and one year's occupation would be found for 1,650 citizens (Table G, Col. 9, No. 34).

TABLE G, COLUMN 6, sets out the analysed total benefit accruing to the population by the production of £1,000,000 worth of clothing material in the United Kingdom by the home population and by the redistribution of the expenditure in production which is contrasted with—

COLUMN 9, which sets out the analysed total benefit which would accrue to the same population by the purchase of this £1,000,000 worth of clothing material, 10 per cent. cheaper, viz., for £900,000 by the saving of this £100,000 and by the redistribution of that saving.

TABLE G, COLUMN 10, NOS. 12 TO 26, shows the difference between Column Nos. 6 and 9, and shows also the loss of £865,719, which the citizens of the United Kingdom sustain by the

purchase of £1,000,000 worth of clothing material instead of producing the goods at home. This is analysed under the same classes of expenditure preserved throughout these tables and shows a loss in wages of £285,821 (Table G, Col. 10, No. 22); salaries £67,922 (No. 23); rents £38,289 (No. 24), and profits £73,015 (No. 25), but these profits could be saved by investing the capital abroad. The capital displaced and used abroad would be £2,506,000 (Table G, Col. 10, Nos. 28 to 33), and the number of people deprived of employment would be 5,275 (Table G, Col. 10, No. 34), for each million pounds' worth of clothing purchased from abroad in a manufactured condition. How then it may be reasonably enquired does the benefit accrue to the community by buying in the cheapest market.

If we assume that the home producers of this £1,000,000 worth of clothing material cannot afford to let this trade go, that they decide to reduce the price in order to retain the trade, and that in this resolve they are assisted by the industrial population employed, by their consenting to reduce the cost of production proportionately over all the charges affecting it (Table G, Col. 11, Nos. 11 to 27) will show the net amount of expenditure under the altered conditions which will be paid for each item in this column. If these items be compared individually with the similar items in Column No. 4, which represent the expenditure under the original conditions, the reduction which takes place in the earning under the altered conditions will be seen to be very serious.

The wages in Table G, Col. 4, No. 22, amount to £217,574, and Table G, Col. 11, No. 22, £145,304, shows a reduction of £72,270 which the industrial population would suffer by this competition. But if they refuse to reduce wages and all the other items of expenditure remain as they were under previous conditions, the industry would be discontinued, for the profit of £46,130 (Column 4, No. 25) would by a reduction of £100,000 in sales be turned into a loss of £53,870, which the producer could not afford to sustain and continue to trade. This 10 per cent. reduction in sales would thus represent a reduction of 33 per cent. in wages and salaries, and 31 per cent. in profits, because the rents of leases could not be reduced.

TABLE G.

BEING A SUMMARY ABSTRACT OF THE TOTALS OF TABLES B, D E AND F.

Showing at a glance the comparative benefits conferred on the State and on the Industrial Community by Producing, instead of Purchasing and Importing Free of Duty, £1,000,000 worth of Clothing Material in the approximate proportions in which the Goods are used by the Population, at 10 per cent. cheaper than they could be produced under the present conditions of British Labour and the incidence of British Taxation.

DESCRIPTION A. Capital Expenditure required to produce £1,000,000 worth of Clothing in one year and Redistribution of same.

B. Working Expenditure incurred in the Production of £1,000,000 worth of Clothing Material and Redistribution of same.

ALTERNATIVE :—

C. Purchase at British value £1,000,000 worth of similar Clothing Material for £900,000, and the Distribution of £100,000 saved by purchasing in a foreign market 10 per cent. cheaper, and the Redistribution of this sum by the classes benefited in savings and in producing additional trade and employment.

D. The difference between these two alternative methods is set out in Column 10, which shows a loss of £865,719 to British Trade by purchasing, instead of producing, £1,000,000 worth of Clothing Material. The Capital required to transact the amount of business stated in the various Columns, and the number of people who would be employed therein, is also stated at foot of these Columns, opposite the numbers 28 to 34.

E. Column 11 represents the reduced Expenditure which would require to be substituted by the British producer on items of Expenditure partly under his control, in order to compete with a possibility of retaining the Trade.

No.	DESCRIPTION OF EXPENDITURE.	1	2	3	4	5	6	7	8	9	10	11
		Analysed cost of erecting Buildings and Machinery to produce £1,000,000 worth of clothing material. Table B, Parts I. and II.	Analysed Redistribution of Expenditure in other Trades supporting People employed.	Analysis of Total Expenditure by the Capital Expenditure.	Analysed Expenditure in Producing £1,000,000 worth of Clothing Material. Table D.	Analysed Redistribution of Expenditure (Col. 4) in supporting the Industries and People employed. Tables E and F.	Total Expenditure in Trade created by producing £1,000,000 worth of Clothing Material in United Kingdom.	Purchase of £1,000,000 worth of Clothing Material produced Abroad for £900,000, and distribution of £100,000 saved.	Savings of £100,000 by purchasing in the cheapest Markets expended in support of the people.	Total Expenditure in Trade created by purchasing, instead of producing, £1,000,000 worth of Clothing Material.	Balance, being Analysed Loss sustained in the United Kingdom by purchasing, instead of producing, £1,000,000 worth of Clothing Material.	Amount of Expenditure necessary to continue Production in competition with 10 per cent. cheaper imports.
11	Foreign raw material	14,859	39,275	64,134	450,600	39,581	460,151	900,000	6,500	906,600	—	450,600
12	Home goods produced—other industries	91,782	62,947	94,729	156,476	52,238	208,714	—	11,720	11,720	106,094	156,476
13	Coal	90,456	20,035	108,541	18,372	27,760	46,133	—	5,948	5,948	40,184	18,372
14	Light	2,359	12,086	14,465	5,468	11,703	17,191	—	2,742	2,742	14,449	5,468
15	Freight	17,226	20,002	37,828	7,718	12,878	20,596	—	1,257	1,257	19,339	7,718
16	Carriage and cartage	36,753	43,054	79,807	15,346	28,725	44,071	—	4,364	4,364	39,677	15,346
17	Insurance	2,922	6,971	9,893	3,922	5,730	9,653	—	1,102	1,102	8,550	3,922
18	General expenses	5,362	15,076	20,438	21,114	11,378	32,493	—	3,024	3,024	29,468	21,114
19	Subscriptions	1,273	7,304	8,577	2,078	5,419	8,397	—	1,488	1,488	6,909	1,988
20	Local rates	5,508	28,536	34,044	6,942	28,530	35,473	—	3,454	3,454	31,027	6,280
21	Government taxes and stamps	4,275	28,536	32,811	5,942	28,530	34,473	—	6,506	6,506	27,976	4,942
22	Wages	298,361	144,746	443,107	217,574	159,083	377,257	60,780	21,656	91,436	285,821	145,304
23	Salaries and commission	39,979	50,530	83,509	34,376	57,151	91,527	12,000	10,705	23,606	67,922	22,963
24	Rent of land and buildings	13,725	48,103	61,828	7,684	46,183	53,867	2,800	12,688	15,478	38,280	7,684
25	Interest on capital	41,660	56,496	98,156	46,130	48,041	94,171	14,430	6,736	21,166	73,015	31,368
26	TOTAL BRITISH EXPENDITURE	530,641	641,306	1,123,007	540,400	599,819	1,039,219	100,000	51,503	193,509	868,719	440,400
27	TOTAL EXPENDITURE	905,500	890,041	1,176,141	1,000,000	846,400	1,549,400	1,000,000	100,000	1,100,000	—	900,000
28	CAPITAL EXPENDED IN ABOVE :—											
29	Property	83,000	659,510	742,570	142,000	1,068,200	1,250,290	—	76,110	76,110	1,154,180	142,000
30	Buildings	78,630	165,570	244,200	230,000	247,350	477,350	40,000	28,270	68,270	409,080	230,000
31	Machinery and utensils	965,210	171,950	497,160	965,500	150,500	525,060	10,000	18,390	28,390	494,670	365,500
32	Stock	138,290	177,180	315,470	413,500	270,500	693,000	340,000	31,500	371,500	321,500	413,500
33	Book debts	142,820	78,480	215,300	209,000	80,300	298,300	160,000	13,730	173,730	124,570	209,000
34	TOTAL CAPITAL EMPLOYED	708,000	1,247,700	1,955,700	1,300,000	1,364,000	2,224,000	540,000	108,000	718,000	2,508,000	1,360,000
35	Number of people employed	3,950	2,820	6,770	3,850	3,075	6,925	1,210	440	1,650	5,275	3,850

TABLE

Specimen Statement of Account between the United Kingdom and Foreign on Foreign Trade and Foreign Investments, and by the Investment of approximate values with the object of showing the principal complicated

1904	Ref.	Dr. FOREIGN COUNTRIES AND THE COLONIES		Total £.
Jan. 1		To Balance, outstanding assets due to the United Kingdom at the beginning of the year consisting of :—		
	A	Stock of goods in foreign countries and the colonies owned by British merchants, say, equal three months' sales	75,000,000	
	H	Foreign investments in public loans owned by British citizens estimated at	3,192,000,000	
		Ditto, private trading capital	3,730,000,000	
	C	Debts due by foreign countries to the merchants of the United Kingdom for goods and investments sold, etc., say, ...	73,000,000	
	D	Total value of foreign assets at the beginning of the year, say		7,070,000,000
Dec. 31		To transactions completed during the year, consisting of :—		
	E	Expenses incurred by foreign travellers in the United Kingdom not paid for in gold carried by travellers, say	20,000,000	
	F	Exports of merchandise per Board of Trade returns	300,711,000	
	G	Exports of bullion and specie, per Board of Trade returns	46,302,382	
	H	Freight earned carrying exports and expenditure of foreign vessels in British ports, per details, paragraph 272	30,851,723	
	I	Sundry other items undisclosed, say	10,984,000	
	J	Salaries and expenses of foreign ambassadors, consuls, civil servants, officers, soldiers and sailors, resident or visiting in the United Kingdom payable by foreign government, say	10,000,000	
	K	Sale of foreign stocks and shares by British owners, say, ...	4,000,000,000	
	L	Profits of British merchants and investors earned on private trading in foreign countries and on foreign investments, as declared in paragraph 273 £68,062,109 undeclared paragraph 273 56,241,891 undeclared additional required to pay for liabilities contra £217,696,000	340,000,000	
	M	Total transactions for the year, say		4,758,849,105
		To Balance at the end of the year consisting of the following liabilities due by the United Kingdom to foreign countries :—		
	N	Stock of goods held in the United Kingdom for sale, owned by foreign merchants, say	140,000,000	
	O	Investments in the United Kingdom owned by citizens of foreign countries, say	120,000,000	
	P	Liabilities of the merchants and bankers of the United Kingdom due to merchants and bankers of foreign countries, say	140,000,000	
	Q	Total liability of citizens of the United Kingdom at the end of the year carried down, say		400,000,000
				12,228,849,105
1904 Dec. 31		To BALANCE due to the United Kingdom by foreign countries, say		7,200,359,429

H.

Countries and the Colonies showing how the Balance of Trade is settled by Profits Surplus Profits in Foreign Countries, in which there is inserted assumed questions which arise in the settlement.

1904	Ref.	Cr. FOREIGN COUNTRIES AND THE COLONIES	Particulars	Total £
Jan. 1		By Balance, outstanding liabilities due by the United Kingdom at the beginning of the year, and consisting of :—		
	a	Goods held in the United Kingdom for sale owned by foreign merchants, say three months of purchases	140,000,000	
	b	Investments in the United Kingdom owned by citizens of foreign countries, say	120,000,000	
	c	Liabilities of the merchants and bankers of the United Kingdom due to merchants and bankers of foreign countries, say	140,000,000	
	d	Total liability of the citizens of the United Kingdom at the beginning of the year		400,000,000
Dec. 31		By transactions completed during the year consisting of :—		
	e	Goods imported £551,038,628		
		Less freight included 70,035,766		
	f		481,002,862	
	g	Bullion and specie imported	45,563,927	
	h	Freights on imports carried by foreign vessels, and purchases and expenses of British vessels in foreign ports, as per particulars in paragraph 272	39,362,087	
	i	Inland charges of foreign railways paid as part of gross freight	21,576,800	
	j	Expenses incurred by British travellers in foreign countries not paid for by gold carried by them, say	20,000,000	
	k	Profits of foreign merchants or companies carried on by them, and dividends on investments in the United Kingdom owned by them, say	5,984,000	
	l	Salaries and expenses of British ambassadors, consuls civil servants, officers, soldiers and sailors, resident or visiting in foreign countries and payable by the British government, say	10,000,000	
	m	Sundry other items undisclosed, say	5,000,000	
		Purchase of foreign stocks and shares. The excess over sales and increases in amount or value are treated as stock at end of year, see O., say	4,000,000,000	
		Total transactions of the year		4,038,460,676
Dec. 31		By balance at the end of the year outstanding assets due to or owned by British citizens, and consisting of :—		
	n	Stock of goods owned by British merchants in foreign countries, say	75,000,000	
	o	Foreign investments held by British citizens as at first of the year £6,922,000,000		
		Add increase for year as per paragraph 273 and M 130,359,429		
	p		7,052,359,429	
	q	Debts due to merchants and bankers of the United Kingdom for goods and stocks sold, etc., say	75,000,000	
		Total value of Foreign Assets owned by British citizens at the end of year carried down, say		7,200,259,429
				12,228,840,105
1904 Dec. 31		By BALANCE due by the United Kingdom to foreign countries, say		400,000,000

I.E.

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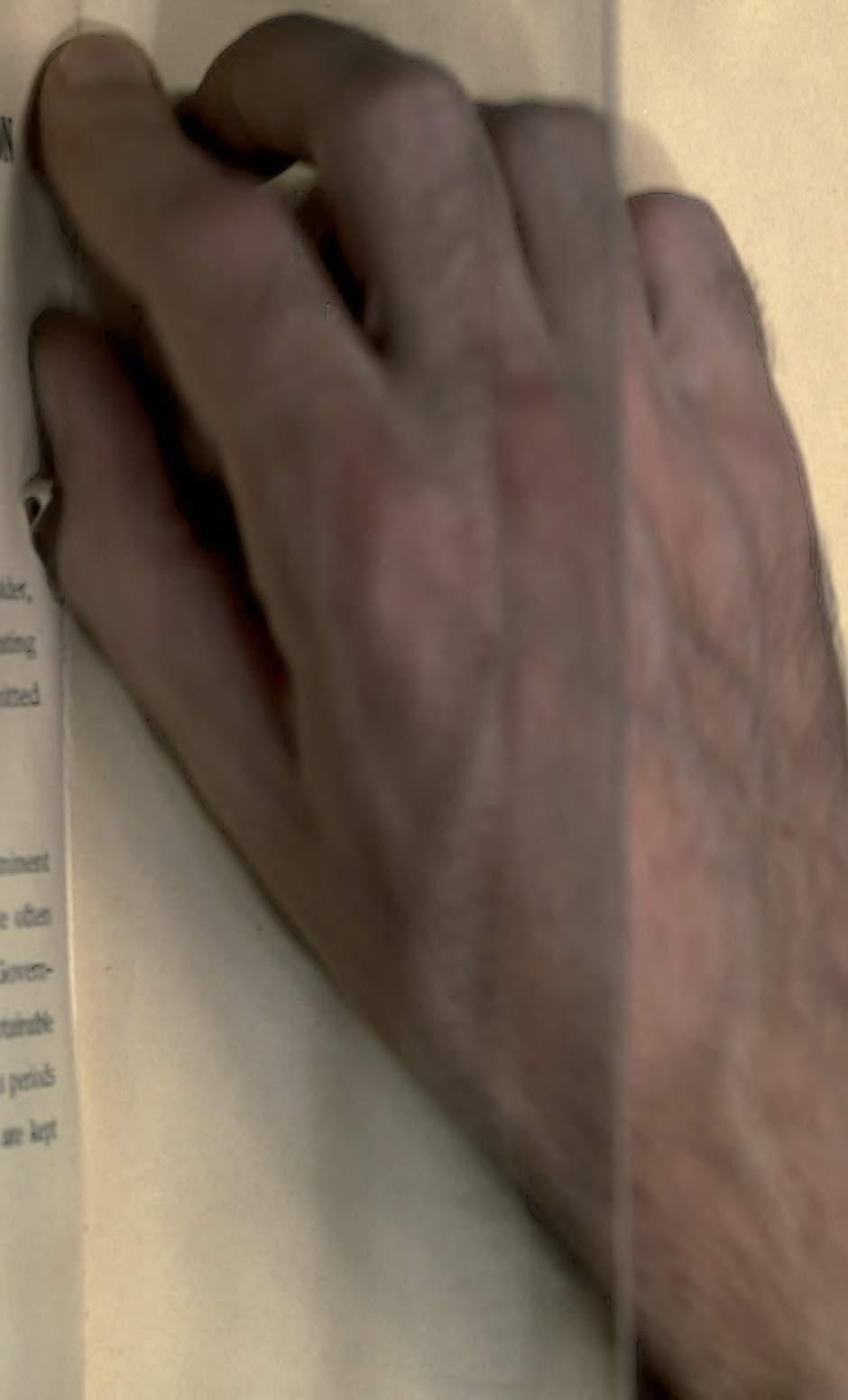
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